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Burroughs Corporation

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modernized mechanical...**

Place:

[Detroit]

Date:

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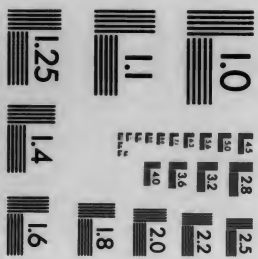
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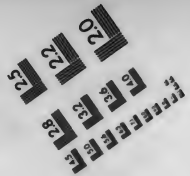
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BUDGETARY CONTROL

through

MODERNIZED MECHANICAL

METHODS

Burroughs

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Although this manual deals specifically with budgetary control procedure as applied to governmental institutions, the principles are being rapidly applied to commercial concerns. Almost all corporations control their capital expenditures through appropriations. There is only one way in which control can be maintained over the expenditures of a construction project—an encumbrance must be set up at the time the purchase order is issued.

Many large corporations likewise control their operating expenditures or at least the variable operating accounts. Department stores operate open-to-buy records designed to control the purchases of merchandise in accordance with planned sales and are striving to co-ordinate planned sales with planned expense to fulfill a projected profit.

Open-to-buy records may be combined with departmental purchase records and expense appropriation records may be combined with the actual expense accounts. The application of these principles to commercial houses results in a record that is vital to the financial and operating management. Up-to-the-minute facts prevent over-expenditures, control merchandise stocks at the source of buying and place an ironclad control at the fingertips of executives.

BUDGETARY CONTROL *through* MODERNIZED ACCOUNTING METHODS

INTRODUCTION

A widespread interest in the subject of budgetary accounting is being shown everywhere by officials of governmental agencies, since through such accounting, when properly planned and maintained, it is possible to make intelligent estimates of revenues and expenditures and to control expense so that commitments and payments will not exceed income or appropriations.

Budgeting of expenditures is required by law in most national, state and provincial governments. Many states require counties and municipalities to operate on budget plans. Many other governmental administrations operate on strict budget systems even though not required by law, because of their desire to give the public the most efficient administration. The total amount of money available for spending is budgeted to various departments, divisions and for special purposes so that each department or division is charged with the responsibility of limiting its expenditures to the amounts allotted.

Budgetary accounting is applicable and desirable in all public enterprises operating on public funds, such as educational institutions, hospitals, boards of education, penal institutions, mental institutions and in all other activities of city, county, state and federal governments. Most of these organizations are primarily spending units and derive most of their income directly or indirectly from some sort of taxation, the revenue from which must be carefully estimated before deciding how much money can be spent for the different activities.

Practically every city, county and state, as well as educational and other institutions recognize the importance of maintaining proper budget records and are doing so in some fashion. Many of these have not been able to maintain these records sufficiently up-to-date and with information to produce prompt and accurate reports or to eliminate the confusion and mistakes that usually exist where modern accounting methods have not been adopted.

The accounting machine applications described in this manual are intended to simplify and expedite the posting of the records necessary to keep budget balances currently available for reference; to obtain a complete classification of expenditures; to classify income by sources of revenue; to produce comparative reports as to budget conditions, revenues, and expenditures, promptly each month or as required; and to carry this information promptly and accurately to budget and revenue estimates which must be prepared as quickly as possible before the beginning of each fiscal period.

Specific applications will vary somewhat according to local conditions, special legal requirements, etc., but the use of accounting machine methods along similar lines to those illustrated in this manual is an essential part of modernizing budgetary accounting procedure. The employment of competent accounting counsel to direct the modernization program is a worthwhile investment and will assure the greatest satisfaction in results obtained.

Classification of Budgetary Accounts Governmental and Institutional

In setting up a budget control plan, one of the most important steps is a proper classification of accounts.

The classification of budgetary accounts will depend to a large extent on local laws and regulations, and individual opinions of those supervising the accounting work.

The charts of accounts exhibited herein are representative of the usual method of classifying funds, departments or functions, appropriations and expenditures in state and municipal governments and all types of institutions. Budgetary accounts for other activities are usually established along similar lines.

STATE GOVERNMENT FUNDS

General Revenue Fund
Special General Revenue Fund
General School Fund
State Road Fund
State Road Sinking Fund
State Interest and Sinking Fund
Special School Fund
Workmen's Compensation Fund

EDUCATIONAL INSTITUTION FUNDS

General and Current Funds
General Unrestricted
College Tea Room
Book Store
Student Loan Fund
Endowment Funds
Cunningham Fund
Alpha Phi Fund
Plant Construction and Maintenance Funds
Agency Funds
Student Deposit Fund

MUNICIPAL GOVERNMENT FUNDS

General Fund
Special Funds
Park Improvement
Municipal Airport
Sewage Disposal
Street Lighting
Bond Funds
Building Repair Bonds
Viaduct Bonds
Paving Bonds
Construction Funds
Sewage Disposal
Sidewalk
Trust Funds
Firemen's Pension
Plumbers' Deposit
Water Deposits
Water Fund

Funds

Revenue made available for appropriation is credited to certain funds from which appropriations may be made. The name of each fund usually indicates the restriction that was placed on the use of the money at the time the fund was established. General and current funds are usually unrestricted and are appropriated to the use of various departments and divisions. Certain special funds are set up for the use of only one department or for only one purpose, in which case the appropriation would be limited to only one classification or to a number of classifications within the same department. The fewer funds used, consistent with requirements, the simpler the accounting operations will be. The above chart illustrates the kind of funds existing in state governments, municipal governments and educational institutions and shows

the general method used in setting up a fund classification.

As stated before, general or current funds are the source of most departmental appropriations, other funds are usually assigned to specific purposes. For example, all money received and paid out by the State Workmen's Compensation Department would be handled through the Workmen's Compensation Fund. Appropriations made from this fund would be for specific purposes within the divisions of the Workmen's Compensation Department. The principal of non-expendable funds such as endowments can not be spent for any purpose. These funds are invested in suitable securities and

only the income may be spent according to the provisions under which the endowment was established.

The major controls of both the budget ledger and the revenue ledger will therefore be established by funds, because both revenues and expenditures must be ear-marked according to the funds to which they apply. The only exception to this rule is that certain general unrestricted funds arising from different sources but expendable for any purpose, might be handled together so far as budget appropriations and expenditure distribution is concerned. An example of this would be a state university deriving part of its operating income from a state appropriation and a part from general tuition fees. While classified as separate funds, the receipts from the combined sources would be estimated and appropriated together for the use of the various departments.

Departments and Functions

Appropriations from each fund are made for the specific use of one or more designated departments or divisions of departments. In the case of general and current funds, practically every department will receive an appropriation for operating expenses. Some departments having their own revenue may receive all or part of their operating appropriation from their own fund which they collect or which is specially assigned to their use. The general fund, however, is the only one which would have an extensive departmental breakdown.

The following charts illustrate some of the

While the appropriations are sometimes assigned in total to an entire department, there is usually a certain appropriation amount allocated to each of the various functions of the department especially where a department may be divided into more than one section or division. For example, the State Auditor's Office classifications may be divided so that a separate appropriation is provided for general administration, accounting department, corporation department, taxation department, and land department. Similarly, in the Department of Health and Welfare, a separate appropriation would be made for each hospital and sanitarium.

STATE GOVERNMENT

- 1—Legislative
 1. Senate
 2. House of Delegates
- 2—Judicial
 1. Supreme Court
 2. Circuit Court
 3. Law Library
- 3—Executive
 1. Governor's Office
 2. Budget Bureau
- 4—Fiscal
 1. State Auditor
 2. State Treasurer
 3. Tax Commission
- 5—Attorney General
- 6—Secretary of State
- 7—Custodial and Service
 1. Supt. Bldgs. and Grounds
 2. Purchasing Department
 3. Printing, Binding and Stationery
- 8—Educational
 1. Department of Education
 2. State University
 3. State Teachers College
- 9—Charities and Corrections
 1. State Industrial School
 2. State Penitentiary
- 10—Health and Welfare
 1. Health Department
 2. State Sanitarium
 3. State Hospital
- 11—Industrial Relations
 1. Bureau of Labor
 2. Workmen's Compensation
 3. Banking
 4. Public Service
- 12—Highway Department
- 13—Dept. of Agriculture
- 14—Conservation
- 15—Department of Public Safety

EDUCATIONAL

- 1—Administrative Office
 1. President
 2. Business Office
 3. Registrar
 4. Dean's Office
- 2—Instruction
 1. College of Arts and Sciences
 2. College of Engineering
 3. College of Education
 4. Physical Education
 5. Medical School
 6. Graduate School
- 3—Organized Research
- 4—Extension Department
- 5—Library
- 6—Plant and Building Maintenance
 1. Residence Halls
 2. Dining Halls
 3. Hospital
 4. Book Store
 5. Athletics
- 7—Auxiliary Enterprises

MUNICIPAL GOVERNMENT

- 1—Executive
 1. Mayor's Office
- 2—Dept. of Finance
 1. Auditor
 2. Treasurer
 3. Collector
 4. Assessor
- 3—General Administration
 1. Manager
 2. Engineer
- 4—Legal and Judicial
 1. Attorney
 2. Courts
- 5—Police Department
- 6—Fire Department
- 7—Health Department
- 8—Inspection Services
- 9—Sanitation Dept.
- 10—Dept. of Streets
- 11—Public Welfare
 1. Hospital
 2. Institution for Poor
- 12—Education
 1. Schools
 2. Libraries
- 13—Parks and Recreation
- 14—Pension
- 15—Public Service
 1. Markets
 2. Cemeteries
 3. Water Department
- 16—Debt Service
 1. Interest on Warrants
 2. Interest on Bonds
 3. Bond Retirement

departments and functions existing in state governments, municipalities and educational institutions.

The above schedules are condensed for illustrative purposes; the usual departmental and fundamental classification may comprise several times the number of accounts shown.

Code numbers, in order to avoid errors and make posting simpler, may be assigned as shown above to indicate major groupings as well as the department and function. For example, in the Municipal schedule, 2-2 or 202 indicates the Treasurer's office in the Department of Finance. The department and function code may be used as a prefix to a standard code of expenditure classifications.

Object of Expenditure (Budget Classifications)

In addition to specifically appropriating funds for the use of the several departments, and for particular divisions or functions within each department, the appropriation is usually further subdivided as to the kind (or object) of expenditure which is authorized. The usual classification for appropriation purposes is somewhat as follows:

1. Salaries and wages (personal services).
2. Other services (contractual services).
3. Supplies and materials.
4. Fixed charges (fees, permits, premiums, interest, contributions, etc.).
5. Capital outlay (purchase of equipment, automobiles, land, buildings, etc.).

Code numbers as shown above may be used in connection with the code numbers for departments and functions to indicate the appropriation classification. For example the code number 202-3 would indicate supplies and materials for the Treasurer's Office in the Department of Finance.

Appropriation classifications are determined by an act of the Legislature, Council or Board of Governors when the budget appropriation is passed. Appropriations may be further subdivided, however, into whatever budget classifications are deemed necessary to keep control over the budget allotment. For example, the budget for salaries and wages might be broken down to provide a definite sum for salaries, another sum for temporary wages and another for professional services. It is customary in educational institutions to separate instruction salaries from other salaries and wages. A more detailed budget for material and supplies is maintained where necessary to assure proper control.

Object of Expenditure (Statistical Distribution)

The budget estimate illustrated on page 8 shows the budget requirements built up from a detailed distribution of expenditures. A classification simi-

lar to the following may be used in connection with current expenditure records, to supply the statistics necessary for future estimates:

Code numbers as shown below may be used together with the appropriation code to simplify distribution of expenditures. For example, the code number 202-301 as applied to a municipal government office would indicate office supplies for the Treasurer's Office in the Department of Finance.

Additional breakdowns where required for specific purposes are obtained by subdividing standard classifications. For illustration, if an analysis of kinds of road materials is needed, a code number for each kind of material, such as cement, sand, etc., would be added to the number 09 for raw materials. The classification for cement for the State Highway Department might read 1200-309-1 (Number "1" being assigned to indicate cement).

The accounting classification should be as simple as possible to furnish the information necessary to comply with legal requirements and to aid management. The compilation of more detailed reports than needed will tend to confuse and is rarely justified.

1. SALARIES AND WAGES (Personal Services)	3. SUPPLIES AND MATERIALS	4. FIXED CHARGES
01 Salaries	01 Office Supplies	01 Rents
02 Wages (Temporary)	02 Fuel	02 Insurance
03 Professional Services	03 Cleaning Supplies	03 Taxes and Fees
	04 Wearing Apparel	04 Pensions and Retirement
	05 Forage	05 Damages
	06 Provisions for Persons	06 Interest
	07 Laboratory Supplies	07 Other Fixed Charges
2. OTHER SERVICES (Con- tractual Services)	08 Special Supplies	
01 Transportation of Things	09 Raw Materials	5. CAPITAL OUTLAY
02 Transportation of Persons	10 Metals and Metal Prod- ucts	01 Passenger Vehicles
03 Subsistence and Support of Persons	11 Lumber and Wood Prod- ucts	02 Furniture and Fixtures
04 Subsistence and Care of Animals	12 Fiber Products	03 Educational Scientific and Research Equipment
05 Communication	13 Paints	04 Other Equipment
06 Printing and Stationery	14 Other Materials	05 Land and Interest in Land
07 Advertising and Publica- tions		06 Structures and Improve- ments
08 Light, Heat, Power and Water		07 Stores
09 Special Services		

Estimates of Revenues and Budget Requirements

Estimates of budget requirements are usually based on an analysis of previous years' expenditures, and an estimate of revenues from which appropriations may be made, taking into consideration increases or decreases caused by changing conditions.

For purposes of illustration, the procedure in the average city, governed by a city council and the mayor, would be as follows:

As the first step, the mayor, city manager or chief financial officer requests the heads of the various city departments to submit estimates of their requirements for the coming fiscal period. The department head in turn asks each of his division heads to submit a detailed estimate of his division's requirements.

After the department head receives the estimates from the various division heads, he consolidates these requests and forwards the estimates to the budget authority, who in turn consolidates all requests from the various departments to arrive at the total estimate for the city. This total is then

compared with the total estimated revenue for the appropriation. If the estimated budget requirements exceed the estimated revenue, the committee must then either find additional sources of revenue to provide for all requests or they must analyze the departmental requests and reduce them. When the two figures have been balanced the budget is submitted as a whole to the council or governing body for debate and to be voted on for adoption.

The amount of revenue estimated for each quarter (or other period) is compared with actual income so that budget allotments will be adjusted to take care of any deficiency in receipts. It may also be necessary to analyze expected revenues to show collections against previous years' tax levies as distinguished from the current year's collections. It may also be desirable to analyze accruals of income as well as actual cash income.

The following illustration is an example of a revenue estimate which would be prepared by the accounting department for each fund out of which money is to be appropriated.

REVENUE ESTIMATE					
Estimate Last Period	Income Last Period	Classification	Estimate Next Period	Approved Estimate	Allocation
		GENERAL FUND			
		<i>Taxes</i>			
375,000.00	384,300.00	Real Estate	400,000.00	390,000.00	100,000.00
25,000.00	28,400.00	Personal	30,000.00	30,000.00	10,000.00
		<i>Rights and Privileges</i>			
10,000.00	9,400.00	Licenses	11,000.00	10,000.00	3,000.00
8,000.00	5,500.00	Permits	6,500.00	6,500.00	1,500.00
6,000.00	4,500.00	Franchises	4,500.00	5,000.00	1,500.00
		Concessions			
		Rents			
		<i>Services and Sales</i>			
5,000.00	4,300.00	Fees Legal	5,000.00	5,000.00	1,200.00
2,500.00	2,850.00	Fees Inspection	3,000.00	3,000.00	800.00
		Sales of Service			
2,000.00	1,500.00	Interest and Premiums	1,500.00	1,500.00	500.00
2,800.00	2,350.00	Fines and Forfeitures			
		Local Courts	2,500.00	2,500.00	600.00
700.00	850.00	Deposits on Bonds	1,000.00	800.00	200.00
3,000.00	2,800.00	Penalty on Taxes	2,700.00	2,700.00	700.00
		<i>Grants and Donations</i>			
440,000.00	446,750.00	Totals	467,700.00	457,000.00	120,000.00

Figure 1—Revenue Estimate

The budget estimate form illustrated below shows the comparison of expenditures with budget estimates for the previous fiscal period which is used as a guide for estimating future requirements. The allotment for the first quarter (or other designated period) is based on the work program for that period and the estimated income for the same period.

The methods of making appropriations vary considerably with different governmental units. Some units vote lump sum appropriations for each department, the money to be spent by the department as each sees fit. In other cases, specific appropriations are made to cover the various activities within the department.

BUDGET ESTIMATE						
Department Health		From Jan. 1 1937 To Dec. 31 1937				
Estimate Last Period	Expended Last Period	CLASSIFICATION	Budget Estimate	Adjustments	Approved Budget	Allotment
10,000.00	9,000.00	Salaries and Wages	9,000.00		9,000.00	
5,000.00	5,500.00	Wages (Temporary)	5,500.00	500.00	5,000.00	
		Professional				
15,000.00	14,500.00	Total	14,500.00	500.00	14,000.00	3,500.00
		Other Services				
700.00	800.00	Transportation—Things	800.00	100.00	700.00	
800.00	750.00	Transportation—Persons	800.00	100.00	700.00	
3,800.00	3,750.00	Subsistence—Persons	3,700.00	300.00	3,400.00	
		Subsistence—Animals				
500.00	600.00	Communication	600.00	100.00	500.00	
300.00	325.00	Printing	300.00		300.00	
		Advertising				
400.00	475.00	Light Heat Power	500.00	100.00	400.00	
		Special Services				
6,500.00	6,700.00	Total	6,700.00	700.00	6,000.00	1,500.00
		Supplies and Materials				
800.00	775.00	Office Supplies	700.00		700.00	
1,000.00	910.00	Fuel	900.00		900.00	
600.00	650.00	Cleaning Supplies	600.00		600.00	
1,500.00	1,325.00	Wearing Apparel	1,300.00		1,300.00	
		Forage				
5,500.00	5,350.00	Provisions—Persons	5,000.00	200.00	4,800.00	
800.00	810.00	Laboratory Supplies	800.00		800.00	
		Special Supplies				
500.00	700.00	Raw Materials	600.00	100.00	500.00	
		Metals and Products				
200.00	250.00	Lumber & Wood Products	200.00		200.00	
		Fiber Products				
		Paints				
300.00	210.00	Other Materials	200.00		200.00	
11,000.00	10,980.00	Total	10,300.00	300.00	10,000.00	2,000.00
		Fixed Charges				
1,200.00	1,300.00	Rents	1,250.00		1,250.00	
700.00	850.00	Insurance	750.00		750.00	
		Taxes and Fees Paid				
		Pensions and Retirement				
		Damages				
		Interest				
1,900.00	2,150.00	Other Fixed Charges	2,000.00		2,000.00	500.00
		Total				
		Capital Outlay				
		Passenger Vehicles				
		Furniture and Fixtures				
		Edu. Science Research				
		Other Equipment				
		Land and Interest in Land				
		Struc. and Improvements				
		Stores				
		Total				
34,400.00	34,330.00	Grand Total	33,500.00	1,500.00	32,000.00	7,500.00

Figure 2—Budget Estimate

In order to accurately estimate budget requirements, the budget estimate is usually built up from a detailed schedule of expenditures such as is incorporated in the budget estimate shown on page 8.

Therefore, in order to intelligently estimate detailed expenditures, for a future period, it is necessary to have corresponding statistics relating to expenditures for previous periods.

It will be seen that in order to obtain reports from which budget estimates and revenue estimates may be prepared and reports that will serve as an operating guide at all times, it is necessary to have the following ledger records:

The *appropriation or budget ledger* which furnishes the total of obligations or encumbrances outstanding against the appropriation, the total amount expended, and the unencumbered balance available.

The *expenditure distribution ledger* which furnishes statistics for monthly and annual reports and for preparing future budget estimates.

The *revenue ledger* which is the basis for monthly and annual reports of income received and unrealized income balances, and for preparing the revenue estimate for future periods.

This information must be kept constantly up-to-

date because revenue estimates must be revised when it is found that the amount of the original estimate is not being realized. If new sources of revenues are not found to make up such deficiencies, a deficit can only be avoided by lowering budget allotments.

Revenues and expenditures, revenue estimates and appropriations are controlled through fund and general ledger accounts from which regular financial statements may be obtained.

All of this information in up-to-date form is of such great importance to the managing officials of any budgeted organization that the cost of necessary mechanical equipment is almost negligible. The primary object of budgetary accounting machines is not to save time or personnel, unless the offices are already organized to obtain as much information as a machine would provide. Such instances are rare because when complete budget information is to be obtained, the computation of two, three or four balances on each ledger account with a satisfactory proof of accuracy, has proven to be almost an impossibility under pen-and-ink methods.



Burrroughs Budgetary and General Accounting Machines—Purdue University

The budget estimate form illustrated below shows the comparison of expenditures with budget estimates for the previous fiscal period which is used as a guide for estimating future requirements. The allotment for the first quarter (or other designated period) is based on the work program for that period and the estimated income for the same period.

The methods of making appropriations vary considerably with different governmental units. Some units vote lump sum appropriations for each department, the money to be spent by the department as each sees fit. In other cases, specific appropriations are made to cover the various activities within the department.

BUDGET ESTIMATE						
Department Health		From Jan. 1 1937 To Dec. 31 1937				
Estimate Last Period	Expended Last Period	CLASSIFICATION	Budget Estimate	Adjustments	Approved Budget	Allotment
		Salaries and Wages				
10,000.00	9,000.00	Salaries	9,000.00		9,000.00	
5,000.00	5,500.00	Wages (Temporary)	5,500.00	500.00	5,000.00	
		Professional				
15,000.00	14,500.00	Total	14,500.00	500.00	14,000.00	3,500.00
		Other Services				
700.00	800.00	Transportation—Things	800.00	100.00	700.00	
800.00	750.00	Transportation—Persons	800.00	100.00	700.00	
3,800.00	3,750.00	Subsistence—Persons	3,700.00	300.00	3,400.00	
		Subsistence—Animals				
500.00	600.00	Communication	600.00	100.00	500.00	
300.00	325.00	Printing	300.00		300.00	
		Advertising				
400.00	475.00	Light Heat Power	500.00	100.00	400.00	
		Special Services				
6,500.00	6,700.00	Total	6,700.00	700.00	6,000.00	1,500.00
		Supplies and Materials				
800.00	775.00	Office Supplies	700.00		700.00	
1,000.00	910.00	Fuel	900.00		900.00	
600.00	650.00	Cleaning Supplies	600.00		600.00	
1,300.00	1,325.00	Wearing Apparel	1,300.00		1,300.00	
		Forage				
5,500.00	5,350.00	Provisions—Persons	5,000.00	200.00	4,800.00	
800.00	810.00	Laboratory Supplies	800.00		800.00	
		Special Supplies				
500.00	700.00	Raw Materials	600.00	100.00	500.00	
		Metals and Products				
200.00	250.00	Lumber & Wood Products	200.00		200.00	
		Fiber Products				
		Paints				
300.00	210.00	Other Materials	200.00		200.00	
11,000.00	10,980.00	Total	10,300.00	300.00	10,000.00	2,000.00
		Fixed Charges				
1,200.00	1,300.00	Rents	1,250.00		1,250.00	
700.00	850.00	Insurance	750.00		750.00	
		Taxes and Fees Paid				
		Pensions and Retirement				
		Damages				
		Interest				
1,900.00	2,150.00	Total	2,000.00		2,000.00	500.00
		Capital Outlay				
		Passenger Vehicles				
		Furniture and Fixtures				
		Edu. Science Research				
		Other Equipment				
		Land and Interest in Land				
		Struc. and Improvements				
		Stores				
		Total				
34,400.00	34,330.00	Grand Total	33,500.00	1,500.00	32,000.00	7,500.00

Figure 2—Budget Estimate

In order to accurately estimate budget requirements, the budget estimate is usually built up from a detailed schedule of expenditures such as is incorporated in the budget estimate shown on page 8.

Therefore, in order to intelligently estimate detailed expenditures, for a future period, it is necessary to have corresponding statistics relating to expenditures for previous periods.

It will be seen that in order to obtain reports from which budget estimates and revenue estimates may be prepared and reports that will serve as an operating guide at all times, it is necessary to have the following ledger records:

The *appropriation or budget ledger* which furnishes the total of obligations or encumbrances outstanding against the appropriation, the total amount expended, and the unencumbered balance available.

The *expenditure distribution ledger* which furnishes statistics for monthly and annual reports and for preparing future budget estimates.

The *revenue ledger* which is the basis for monthly and annual reports of income received and unrealized income balances, and for preparing the revenue estimate for future periods.

This information must be kept constantly up-to-

date because revenue estimates must be revised when it is found that the amount of the original estimate is not being realized. If new sources of revenues are not found to make up such deficiencies, a deficit can only be avoided by lowering budget allotments.

Revenues and expenditures, revenue estimates and appropriations are controlled through fund and general ledger accounts from which regular financial statements may be obtained.

All of this information in up-to-date form is of such great importance to the managing officials of any budgeted organization that the cost of necessary mechanical equipment is almost negligible. The primary object of budgetary accounting machines is not to save time or personnel, unless the offices are already organized to obtain as much information as a machine would provide. Such instances are rare because when complete budget information is to be obtained, the computation of two, three or four balances on each ledger account with a satisfactory proof of accuracy, has proven to be almost an impossibility under pen-and-ink methods.



Burroughs Budgetary and General Accounting Machines—Purdue University

Appropriation or Budget Ledgers

An appropriation or budget ledger account will be established for each department and function illustrated by the chart on page 5. The accounts may be further subdivided to such specified object classifications as are listed on pages 5 and 6. Since the term "appropriation" refers specifically to formal acts of the state legislature, city council, or other governing body, the classification of appropriation accounts must conform exactly to the schedule of official appropriations.

If however, appropriations established officially are considered too general for effective management, subsidiary budget accounts may be established for divisions of departments (functions or activities) and for specific object classifications or groups of such classifications as shown by the budget estimate illustrated on page 8 and the chart of object classifications shown on page 6.

A separate set of accounts will be provided for each of the funds as illustrated in the chart on page 4.

Control accounts may be maintained for each department (where detail budget accounts are carried for kinds of expenditures) and for each fund. The general fund will of course require the most accounts; many special funds are so specific in nature that the entire amount will be appropriated for only one purpose. In such a case the appropriation account itself would also be the "fund control" account.

Budgetary accounting may be entirely centralized; or it may be necessary for some independent boards or commissions, such as the school board, to keep their own records.

It is fairly common practice for a central office to maintain department control accounts only, the subsidiary budget accounts being kept by each department. For example, a city Comptroller's Office would maintain appropriation control accounts for the Board of Education. This department may however maintain subsidiary budget accounts extending to every branch of its operation.

Necessity for Current Budget Ledger Accounts

There are two important reasons for *up-to-date* budget ledger accounts with balances and totals extended currently:

1. Control over current commitments and expenditures to prevent incurring obligations in excess of available funds.
2. Availability of information relating to the budget condition for
 - a. Prompt monthly reports requiring no preliminary analysis or recapitulation.
 - b. Special reports on particular budgets which may be needed at any time.

Periodic Budget Allotments

Appropriations are usually established for an entire fiscal year or biennium. Effective control demands that the annual appropriations be prorated and "allotted" by months or quarters. The



Figure 3—Ledger Tray

amount of each periodic allotment will depend on three factors:

1. Seasonal departmental requirements.
2. Deficit or balance from previous periods.
3. Current ratio of actual revenue to revenue estimates on which budgets were established.

Obviously if appropriations were based on excessive revenue estimates, a deficit can only be avoided by reducing future budget allotments.

The budget accounts illustrated herein are based on quarterly allotments from appropriations.

FIGURE 4 (Inside)

Crediting Quarterly Allotment to Appropriation Ledger Account

APPROPRIATION LEDGER JOURNAL PROOF SHEET																	
Account Number	Pickups				ENCUMBRANCES			DESCRIPTION			EXPENDITURES		BUDGET		Unencumbered Balance	Proof	
	Outstanding Encumbrances	Expenditure Total	Budget	Unencumbered Balance	Orders Placed	Orders Liquidated	Outstanding	Date	Reg. Number	Reference	Voucher Number	Amount	Total To Date	Amount			Total To Date
701		3,400.00	3,500.00	100.00			.00	APR 1 37		ALLOTMENT			3,400.00	4,000.00	7,500.00	4,100.00	4,000.00
702	75.00	1,400.00	1,500.00	25.00			75.00	APR 1 37		ALLOTMENT			1,400.00	1,800.00	3,300.00	1,825.00	1,800.00
703	140.00	1,750.00	2,000.00	110.00			140.00	APR 1 37		ALLOTMENT			1,750.00	3,000.00	5,000.00	3,110.00	3,000.00
704	25.00	475.00	500.00				25.00	APR 1 37		ALLOTMENT			475.00	500.00	1,000.00	500.00	500.00
																	9,300.00

BUDGET ALLOTMENT			APPROPRIATION LEDGER			
Period	Amount	Total				
1st QUARTER	2,000.00	2,000.00			Department	HEALTH
2nd QUARTER	3,000.00	5,000.00			Division	
					Budget Account	MATERIALS AND SUPPLIES
					Account Number	703
					Sheet Number	2

ENCUMBRANCES			DESCRIPTION			EXPENDITURES		BUDGET		UNENCUMBERED BALANCE
Orders Placed	Orders Liquidated	Outstanding	Date	Reg. No.	ITEMS	Voucher Number	Amount	Total to Date	Amount	
		100.00	APR 25 37		Brought Forward			1,700.00		2,000.00
		140.00	APR 28 37	321	JONES BROS			1,700.00		2,000.00
		140.00	APR 28 37		BROWN SUP CO	1830	50.00	1,750.00		2,000.00
		140.00	APR 1 37		ALLOTMENT			1,750.00	3,000.00	5,000.00
										3,110.00

The amount of the second quarter's allotment (\$3000.00) does not change the balance of outstanding encumbrances, nor the total expenditures to date; the budget total to date and the unencumbered balance of the account are both increased. Receipts, such as sales from an experiment farm or restaurant are usually credited to the budget accounts of self-supporting departments in the same manner

Figure 4—Appropriation Credits

BUDGETARY CONTROL

APPROPRIATION LEDGER JOURNAL PROOF SHEET																	
Account Number	Pickups				ENCUMBRANCES			DESCRIPTION			EXPENDITURES		BUDGET		Unencumbered Balance	Proof	
	Outstanding Encumbrances	Expenditure Total	Budget	Unencumbered Balance	Orders Placed	Orders Liquidated	Outstanding	Date	Req. Number	Reference	Voucher Number	Amount	Total To Date	Amount			Total To Date
701				100.00			.00	APR 1 37		ALLOTMENT			3,400.00	4,000.00	7,500.00	4,100.00	4,000.00
702	75.00	3,400.00	3,500.00	25.00			75.00	APR 1 37		ALLOTMENT			1,400.00	1,800.00	3,300.00	1,825.00	1,800.00
703	140.00	1,750.00	2,000.00	110.00			140.00	APR 1 37		ALLOTMENT			1,750.00	3,000.00	5,000.00	3,110.00	3,000.00
704	25.00	475.00	500.00				25.00	APR 1 37		ALLOTMENT			475.00	500.00	1,000.00	500.00	500.00
																9,300.00	

BUDGET ALLOTMENT			APPROPRIATION LEDGER									
Period	Amount	Total	Department		Account Number		Division		Sheet Number		Budget Account	
1ST QUARTER	2,000.00	2,000.00	HEALTH		703				2			
2ND QUARTER	3,000.00	5,000.00									MATERIALS AND SUPPLIES	

ENCUMBRANCES			DESCRIPTION			EXPENDITURES		BUDGET		UNENCUMBERED BALANCE	
Orders Placed	Orders Liquidated	Outstanding	Date	Req. No.	ITEMS	Voucher Number	Amount	Total to Date	Amount		Total to Date
		100.00	MR 25 37		Brought Forward			1,700.00		2,000.00	200.00
	40.00	140.00	MR 28 37	321	JONES BROS			1,700.00		2,000.00	160.00
		140.00	MR 28 37		BROWN SUP CO	1830	50.00	1,750.00		2,000.00	110.00
		140.00	APR 1 37		ALLOTMENT			1,750.00	3,000.00	5,000.00	3,110.00

The amount of the second quarter's allotment (\$3000.00) does not change the balance of outstanding encumbrances, nor the total expenditures to date; the budget total to date and the unencumbered balance of the account are both increased. Receipts, such as sales from an experiment farm or restaurant are usually credited to the budget accounts of self-supporting departments in the same manner

Figure 4—Appropriation Credits

Encumbrance Basis vs. Expenditure Basis

Two general plans of budgetary accounting control may be classified as follows:

1. Encumbrance basis; provision is made in the system and on each account for charging purchase orders, contracts and all other obligations against appropriations as they are incurred. This plan, therefore, furnishes complete budget control at all times.

2. Expenditure basis; expenditures only are charged against appropriations; no control is exercised over unpaid obligations or encumbrances. This plan while less complete, is simpler in operation and is most generally followed where the purchasing routine does not provide centralized control over purchase orders and other obligations. If local conditions are such that the expenditure basis may be more satisfactorily applied, totals of outstanding obligations may be determined monthly (from a file of outstanding orders or from departmental reports) and included in monthly budget reports.

Encumbrance Basis—Budget Ledgers

Budget or appropriation ledgers to serve the control purposes for which they are intended, must reflect from day to day just as complete information as the monthly reports. It is particularly necessary to have available at all times the unencumbered balance of each appropriation to prevent the spending of money beyond authorizations which were based on estimates of income. This is vital near the close of a fiscal period when many departments are running short of money and appropriation balances must be watched closely.

While in rare cases it may be impractical or unnecessary to maintain appropriation records on an encumbrance basis, there are several good reasons for doing so.

1. Control may be exercised over expenditures before any commitment has been made. Sufficiency of the appropriation may be certified before any transaction is initiated.

2. Vendors are guaranteed the existence of available funds in advance of accepting a contract. This is particularly important where an amount cannot be legally paid in excess of the appropriation.

3. Each department head may be held strictly accountable for spending no more than was appropriated because he has complete information as to his department's budget condition.

If purchasing is centralized, all purchase orders or requisitions may be routed through the central budget accounting office for encumbering proper accounts before being released to vendors.

The appropriation ledger account on page 13 furnishes a complete record on one sheet of the transactions affecting each budget allotment as follows:

Encumbrances (purchase orders or requisitions, contracts, authorizations for payroll, recurring charges, local purchases, etc.).

New encumbrances.

Encumbrance liquidated (may be liquidated through payment or cancellation).

Outstanding encumbrances (total unpaid obligations).

Expenditures (items vouchered ready for payment).

Amount of vouchers (may be the liquidation of a previous encumbrance or a direct payment).

Total expenditures to date (this figure controls the statistics obtained from the expenditure distribution ledger).

Budget allotment (amount of appropriation or whatever portion of the appropriation budget was allotted for a particular purpose for a definite period of time).

Amounts of increases or decreases (include adjustments, transfers, and sometimes direct revenue credits for departments operating on their own cash receipts such as restaurants and dining halls; allotments may be made on a monthly or quarterly basis—an entry would be made at the beginning of each period).

Total allotment to date (or total credit to date, if department is operated from cash receipts instead of appropriation. If allotments are made on a monthly or quarterly basis, this figure is the total for the expired portion of the fiscal period).

Unencumbered balance (net difference between the budget allotment to date less total expenditures and total outstanding encumbrances).

These balances and totals are the same as those required for the monthly budget reports and are merely copied from the ledger accounts to the reports. These are also the balances and totals that are required during the month for approving encumbrances and expenditures.

As a by-product of posting the appropriation or budget ledger, complete statements are prepared for each department. The appropriation journal furnishes a complete, continuous record of all transactions handled.

Appropriations and Budget Allotments

At the beginning of each fiscal period, the budget allotment for each account is scheduled at the top of the ledger account.

FIGURE 5 (Inside)

Charging Encumbrances to Appropriation Ledger Account

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No.</th><th>ITEMS</th><th>Voucher Number</th><th>Amount</th><th>Total to Date</th><th>Amount</th><th>Total to Date</th></tr><tr><td></td><td></td><td>100.00</td><td>MR 25 57</td><td></td><td>Brought Forward</td><td></td><td></td><td>1,700.00</td><td></td><td>2,000.00</td><td>200.00</td></tr><tr><td></td><td>40.00</td><td>140.00</td><td>MR 26 57</td><td>321</td><td>JONES BROS</td><td></td><td></td><td>1,700.00</td><td></td><td>2,000.00</td><td>160.00</td></tr><tr><td></td><td></td><td>140.00</td><td>MR 26 57</td><td></td><td>BROWN SUP CO</td><td>1830</td><td>50.00</td><td>1,750.00</td><td></td><td>2,000.00</td><td>110.00</td></tr><tr><td></td><td></td><td>140.00</td><td>MR 1 57</td><td></td><td>ALLOTMENT</td><td></td><td></td><td>1,750.00</td><td>3,000.00</td><td>5,000.00</td><td>3,110.00</td></tr><tr><td></td><td>125.00</td><td></td><td>MR 2 57</td><td>398</td><td>JONES BROS</td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td>20.00</td><td>285.00</td><td>MR 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57</td><td>413</td><td>BURROUGHS</td><td></td><td></td><td>1,750.00</td><td></td><td>5,000.00</td><td>2,965.00</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></t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BALANCE	Orders Placed	Orders Liquidated	Outstanding	Date	Req. No.	ITEMS	Voucher Number	Amount	Total to Date	Amount	Total to Date			100.00	MR 25 57		Brought Forward			1,700.00		2,000.00	200.00		40.00	140.00	MR 26 57	321	JONES BROS			1,700.00		2,000.00	160.00			140.00	MR 26 57		BROWN SUP CO	1830	50.00	1,750.00		2,000.00	110.00			140.00	MR 1 57		ALLOTMENT			1,750.00	3,000.00	5,000.00	3,110.00		125.00		MR 2 57	398	JONES BROS								20.00	285.00	MR 2 57	413	BURROUGHS			1,750.00		5,000.00	2,965.00																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
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BUDGETARY CONTROL

REGISTER OF ENCUMBRANCES																	
Account Number	Pickups				Orders Placed	Orders Liquidated	Outstanding	Date	Req. Number	DESCRIPTION	Voucher Number	EXPENDITURES		BUDGET		Unencumbered Balance	Proof
	Outstanding Encumbrances	Expenditure Total	Budget	Unencumbered Balance								Amount	Total To Date	Amount	Total To Date		
702	75.00	1,400.00	3,300.00	1,825.00	30.00		105.00	APR 2 37	412	R Y EXPRESS		1,400.00		3,300.00	1,795.00	30.00	
703	140.00	1,750.00	5,000.00	3,110.00	125.00		285.00	APR 2 37	398	JONES BROS		1,750.00		5,000.00	2,965.00	145.00	
704	25.00	475.00	1,000.00	500.00	20.00		125.00	APR 2 37	413	BURROUGHS		475.00		1,000.00	400.00	100.00	
					100.00			APR 2 37	401	ESTIMATE						275.00	

BUDGET ALLOTMENT			APPROPRIATION LEDGER	
Period	Amount	Total		
1st QUARTER	2,000.00	2,000.00	Department HEALTH	
2nd QUARTER	3,000.00	5,000.00	Account Number 703	
			Division	
			Sheet Number 2	
			Budget Account MATERIALS AND SUPPLIES	

ENCUMBRANCES			DESCRIPTION			EXPENDITURES		BUDGET		UNENCUMBERED BALANCE	
Orders Placed	Orders Liquidated	Outstanding	Date	Req. No.	ITEMS	Voucher Number	Amount	Total to Date	Amount		Total to Date
		100.00	APR 25 37		Brought Forward			1,700.00		2,000.00	200.00
	40.00	140.00	APR 28 37	321	JONES BROS			1,700.00		2,000.00	160.00
		140.00	APR 28 37		BROWN SUP CO	1830	50.00	1,750.00		2,000.00	110.00
		140.00	APR 1 37		ALLOTMENT			1,750.00	3,000.00	5,000.00	3,110.00
	125.00		APR 2 37	398	JONES BROS						
	20.00	285.00	APR 2 37	413	BURROUGHS			1,750.00		5,000.00	2,965.00

The amounts of new encumbrances (\$125.00 and \$20.00) increase the balance of outstanding encumbrances, leave expenditure and budget totals unchanged, and reduce the unencumbered balance of the account

Figure 5—Encumbrances

In order to keep a closer control over the budget balance, departments should be required to estimate their budget requirements for each monthly or quarterly period.

The account illustrated on page 11 is budgeted on a quarterly basis. At the end of the first quarter, all but \$110.00 of the first quarter's allotment had been spent or obligated. The credit of \$3000.00 to this account on April 1 is the budget allotment for the second quarter.

Transfers between appropriations are posted as increases or decreases to the proper accounts as they occur. Adjustments of appropriations made necessary by revisions in revenue estimates, are also posted as increases or decreases. Departments operating entirely on cash received from their own activities will receive credits posted directly from their cash received reports.

Encumbrances

All encumbrances are priced and passed to the accounting office for approval as to available funds and posting to budget accounts before definite commitment may be made.

Purchases made by the purchasing office are encumbered either from the departmental requisition or from the purchase orders before they are released to the vendors.

Contracts are encumbered from the documents themselves and are frequently set up on separate contract ledger accounts so as to keep a continuous record of contract balances.

Purchases made by individual departments such as perishable items, food-stuff, emergency items and recurring charges for light, water, etc., may be encumbered from a monthly estimate prepared by the department, or they may be handled as direct payment charges against the budget account.

Before posting to the budget accounts, encumbrances are pre-listed by funds and departments to obtain a proof total against which the machine posting accumulation must balance.

The illustration on page 13 shows how encumbrances are posted to the budget accounts. All totals and balances are proven as each posting is completed. This repetition of inactive totals in the interest of accuracy and appearance, is made practical by the ability of Burroughs Budgetary Accounting Machines to print each of the four totals and balances by a single key depression.

The journal is made as a by-product of the ledger posting. This furnishes a complete register of the encumbrances which are automatically

added. However, many accounting officials prefer to make a separate register of encumbrances prior to the posting. Such a register would take the place of the pre-list and would also permit posting totals to the budgetary account instead of detail encumbrances. It is considered the best accounting practice to post encumbrances to budgetary accounts at a separate run from vouchers and encumbrance liquidations.

A copy of each encumbrance is retained in the accounting office, filed by departments following the same order as the accounts in the budgetary ledger. As an encumbrance is liquidated by payment or cancellation, the document is withdrawn from the outstanding encumbrance file and placed in a permanent file. The balance shown on the budgetary ledger account must be at all times the equivalent of all of the encumbrances in the open file under that budget classification. When an encumbrance is only partially liquidated through a partial cancellation or partial delivery of merchandise, the amount of the liquidation is entered on the encumbered document, and it is left in the file until the final delivery of merchandise is made.

Disbursements and Liquidation of Encumbrances

Some governmental organizations furnish vendors with standard invoices for uniform arrangement and size and to obtain one or more carbon copies for internal use. However, many accounting offices operate very efficiently allowing vendors to use their regular invoice forms, even though internal routine may call for more than one copy.

After the invoices have been approved by department heads and receipt of the merchandise has been verified, the accounting office matches each invoice with the encumbrance document, (if the item has been previously encumbered) and prepares the vouchers for registering.

Accounting classifications for budgets and expenditure distribution purposes are usually noted on each invoice in the department, then verified by the accounting office.

Voucher register design varies according to particular requirements; the unit register illustrated on the opposite page may be written on the accounting machine and provides control totals of approved vouchers and encumbrances liquidated. The vouchers are then ready for posting to the budget ledger accounts.

Posting vouchers and encumbrance liquidations together to budget accounts (as illustrated on

FIGURE 6 (Inside)

Charging Expenditures and Liquidating Encumbrances on Appropriation Ledger Account

with

Departmental Statement

APPROPRIATION LEDGER JOURNAL																	
Account Number	Pickups				ENCUMBRANCES			DESCRIPTION			EXPENDITURES		BUDGET		Unencumbered Balance	Proof	
	Outstanding Encumbrances	Expenditure Total	Budget	Unencumbered Balance	Orders Placed	Orders Liquidated	Outstanding	Date	Req. Number	Reference	Voucher Number	Amount	Total To Date	Amount			Total To Date
701																	
702	105.00	3,400.00	7,500.00	4,100.00			.00	APR 23		PAYROLL	1948	750.00	4,150.00		7,500.00	3,350.00	750.00
703	285.00	1,400.00	3,300.00	1,795.00			105.00	APR 23		ELECTRIC CO	1949	65.00	1,465.00		3,300.00	1,730.00	65.00
704	125.00	1,750.00	5,000.00	2,965.00		40.00	245.00	APR 23	321	JONES BROS	1950	45.00	1,795.00		5,000.00	2,960.00	5.00
		475.00	1,000.00	400.00		25.00	100.00	APR 23	222	STATE INV CO	1951	25.00					
								APR 23		CARL SMITH	1952	75.00	575.00		1,000.00	325.00	75.00
STATEMENT OF APPROPRIATION LEDGER TRANSACTIONS TO: Department HEALTH Account Number 703 Division Budget Account MATERIALS AND SUPPLIES Sheet Number 1 The following is a complete transcript of all ledger transactions entered against your appropriation during the current month. Please examine promptly and report any item on which further explanation is desired. APRIL 1937																	
ENCUMBRANCES					DESCRIPTION					LEDGER TRANSACTIONS					UNENCUMBERED BALANCE		
Orders Placed	Orders Liquidated	Outstanding	Date	Req. No.	ITEMS	Voucher Number	Amount	Total to Date	EXPENDITURES	APPROPRIATION CREDITS	Amount	Total to Date					
		140.00	MAY 30 57		Balance Forward			1,750.00			2,000.00		110.00				
		140.00	APR 1 57		ALLOTMENT			1,750.00		3,000.00	5,000.00		3,110.00				
125.00		285.00	APR 23 57	398	JONES BROS			1,750.00			5,000.00		2,965.00				
20.00		245.00	APR 23 57	413	BURROUGHS			1,795.00			5,000.00		2,960.00				
	40.00		APR 23 57	321	JONES BROS	1950	45.00										

BUDGET ALLOTMENT			APPROPRIATION LEDGER	
Period	Amount	Total	Department	Account Number
1st QUARTER	2,000.00	2,000.00	HEALTH	703
2nd QUARTER	3,000.00	5,000.00		
			Division	Sheet Number 2
			Budget Account	MATERIALS AND SUPPLIES

ENCUMBRANCES			DESCRIPTION			EXPENDITURES		BUDGET		UNENCUMBERED BALANCE
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		100.00	MAY 25 57		Brought Forward			1,700.00		2,000.00
40.00		140.00	MAY 28 57	321	JONES BROS			1,700.00		2,000.00
		140.00	MAY 28 57		BROWN SUP CO	1830	50.00	1,750.00		2,000.00
		140.00	MAY 1 57		ALLOTMENT			1,750.00	3,000.00	3,110.00
125.00		285.00	MAY 23 57	398	JONES BROS			1,750.00		3,110.00
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	40.00		MAY 23 57	321	JONES BROS	1950	45.00	1,795.00		3,110.00
										2,960.00

VOUCHER REGISTER				
Fund General				
Date	Reference	Voucher Number	Amount	Orders Liquidated
APR 23		1948	750.00	
		1949	65.00	
		1950	45.00	40.00
		1951	25.00	25.00
		1952	75.00	
			960.00	65.00

Figure 6—Expenditures and Encumbrance Liquidation

The expenditure of \$45.00 liquidates an item of \$40.00 previously encumbered. The balance of outstanding encumbrances is decreased \$40.00 (the original encumbrance amount); expenditures are increased \$45.00; the budget total is unchanged; and the unencumbered balance is decreased \$5.00—the amount by which the expenditure exceeded the encumbrance

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Figure 6—Expenditures and Encumbrance Liquidation

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The voucher register furnishes control and proof totals of vouchers approved and encumbrances liquidated

Departmental statements may be produced at the same time the ledger is posted; either the ledger or statement, as preferred, may be the carbon copy

page 15) eliminates the confusion of maintaining an "adjustment" record to take up differences between encumbrance amounts and voucher amounts.

For example, the ledger account illustrated shows the payment of an invoice for \$45.00 whereas the price shown on the encumbered order was only \$40.00.

In a simple automatic machine operation, outstanding encumbrances are decreased \$40.00, expenditures are increased \$45.00; the difference of \$5.00 decreases the unencumbered balance by that amount. If an invoice were paid for less than the encumbrance amount, the unencumbered balance would be correspondingly increased.

The appropriation journal receives a complete record of all vouchers posted; the proof total must tie in with the difference between "vouchers" and "liquidations" as shown by the voucher register.

Departmental Statements

An appropriation statement (see illustration page 15) furnished to each department head at the end of each month, will eliminate any possible disagreement as to the accuracy of the charges against budget accounts. The department head is asked to examine the statement carefully and promptly report any items that may be in question.

This procedure together with the monthly report of appropriation balances encourages department heads in more efficient management of the funds allotted to their use.

The accounting machine carriage is so designed that a departmental statement may be prepared as the ledger is posted. The ledger may be the original record and the statement the duplicate copy or vice versa.

While many installations have not incorporated the regular distribution of departmental statements, the work involved is slight when compared with the benefit departments receive from them.

Control Accounts

There is usually more than one budget account for each department. Large departments carrying on many activities may have several hundred budget classifications.

A control account (see illustration page 17) for each department furnishes an up-to-date picture of the departmental budget condition, as to outstanding encumbrances, expenditures, and appropriation balances, as well as serving to control the accuracy of the posting operation.

Likewise a control account for each fund furnishes the same information for the entire appropriation from each fund, and controls the accuracy of the departmental controls. Many installations however, are operated successfully with only one control account over the entire appropriation ledger. *Control totals* are obtained as monthly reports are prepared.

Encumbrance control totals are posted from the register of encumbrances (see page 13); these totals correspond with prelist totals.

Voucher control totals and encumbrance liquidation control totals are posted from the voucher register, (see page 15); these totals tie in with the proof total obtained as the budget accounts are posted.

Monthly reports, copied from account totals and balances, must prove against control accounts; a monthly trial balance is thus obtained as a by-product of report writing.

FIGURE 7 (Inside)

Appropriation Ledger Controls



Burroughs Machines in the Department of Accounts and Control, State of Colorado

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FIGURE 7 (Inside)

Appropriation Ledger Controls



Burroughs Machines in the Department of Accounts and Control, State of Colorado

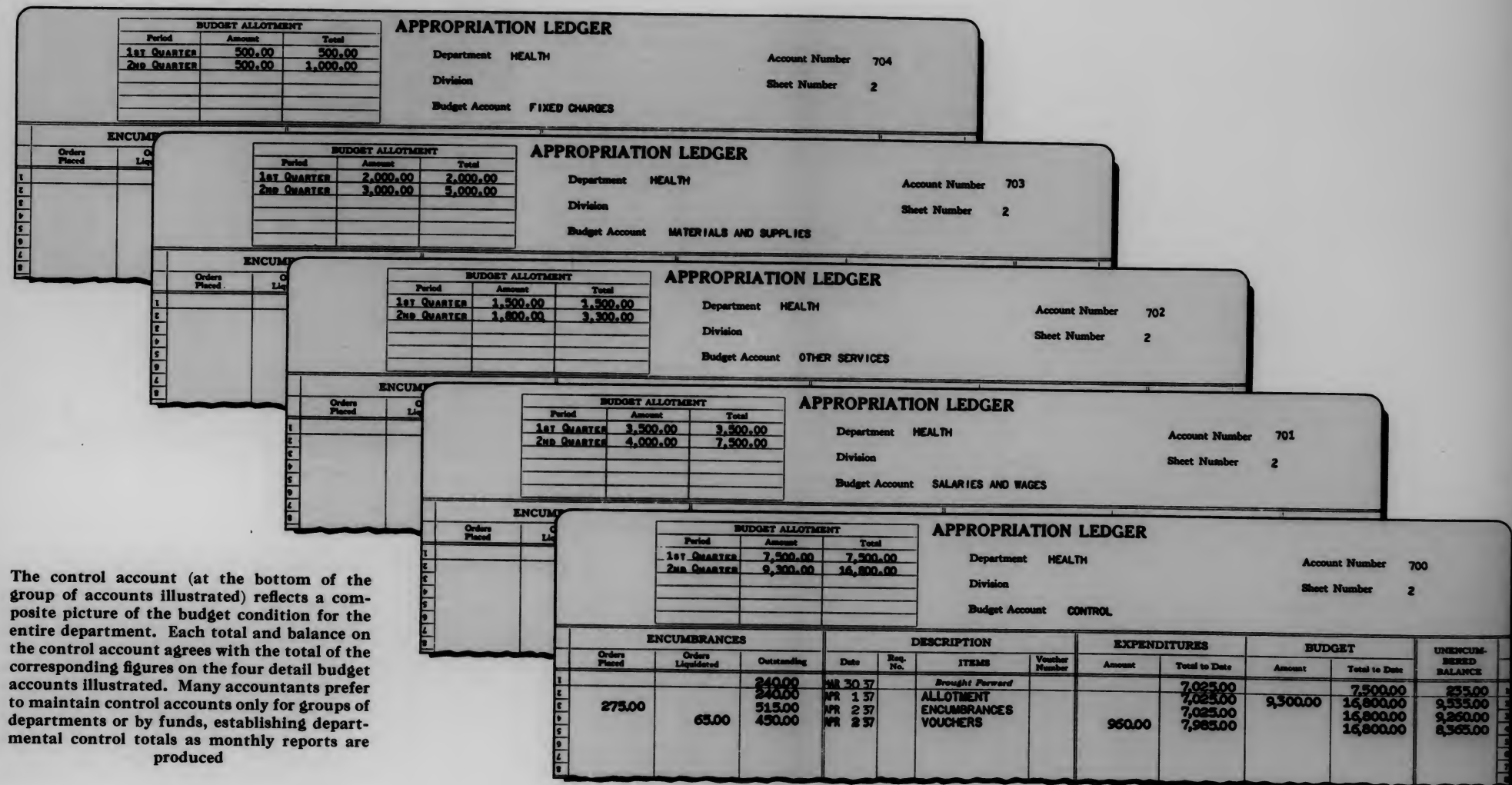


Figure 7—Control Accounts

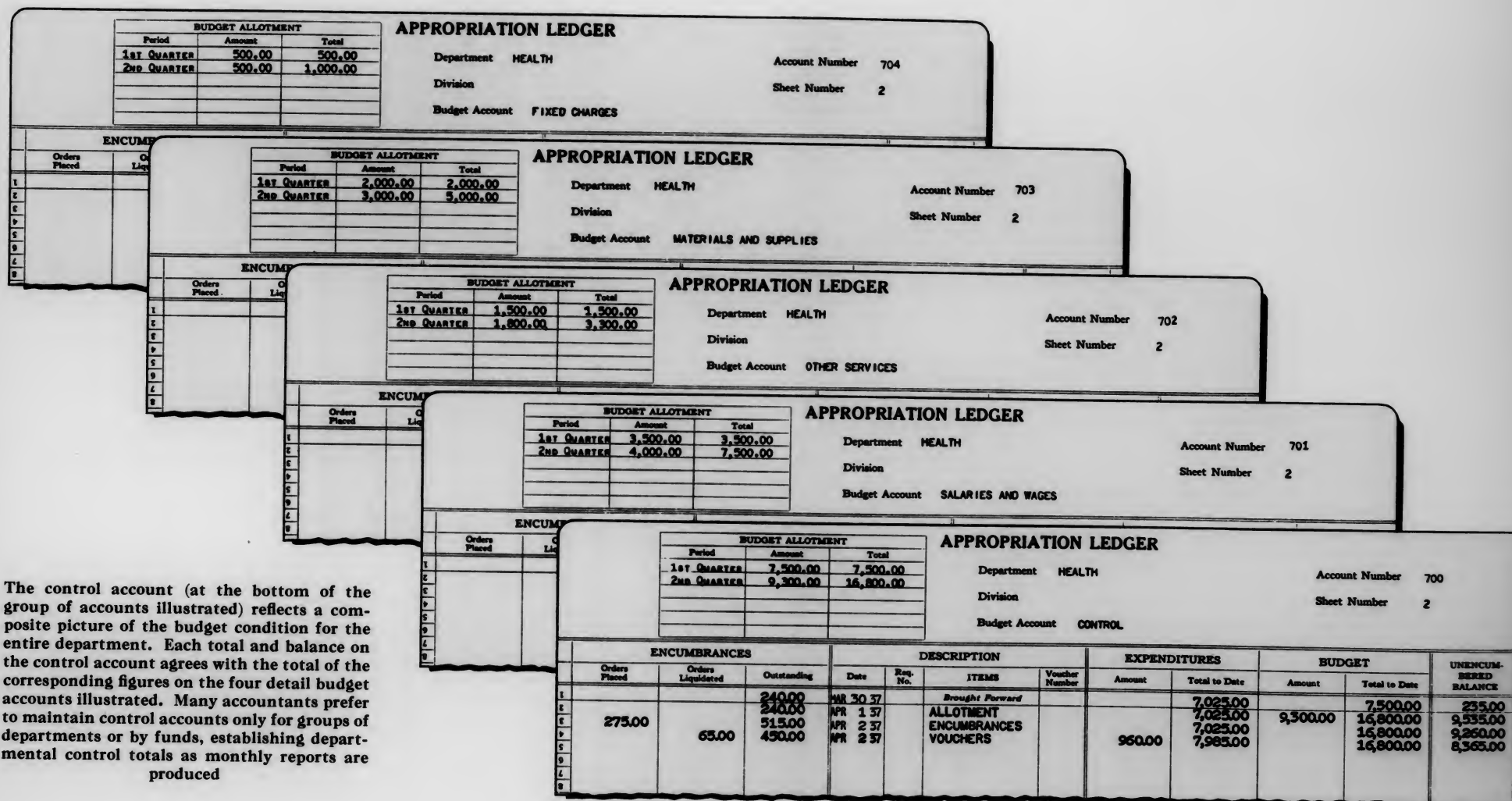


Figure 7—Control Accounts

**Budget Ledger with
Unexpended and
Unencumbered
Balances**

Figure 8 on page 19 illustrates a budget ledger arrangement generally used where local conditions demand that each account reflect the *unexpended* balance (total allotments less approved vouchers) as well as the unencumbered balance.

Since all Burroughs accounting machines print totals from *single key depressions* this additional result may be obtained without materially reducing operator production. Referring to the illustration (figure 8), after entering the amount of the voucher, all balances are printed, in sequence and the work proven, with seven total key depressions.

Ordinarily unexpended balances are required only for report and trial balance purposes. The monthly report illustrated on page 20 shows how unexpended balances are



Budgetary Accounting in the Auditor's office, City of Boston

computed as a by-product of writing the month-end reports.

Expenditure Basis—Budget Ledgers

Local conditions may make it inadvisable to attempt the installation of a budgetary system on the encumbrance basis for some of the following reasons:

1. An established practice of individual buying by so many divisions and departments that control over encumbrances is impossible.
2. Opposition to changes by department heads or officials that may temporarily delay instituting a complete system. Departments which have been accustomed to spending their entire budgets without considering orders and other encumbrances outstanding are naturally cramped for funds when the system is changed to the encumbrance basis.
3. An established policy of paying obligations promptly with little advance contracting will in some cases reduce the volume of outstanding encumbrances to the point that satisfactory control may be exercised without posting encumbrances to the budget ledgers.

The budget account (see figure 9) is ideally adapted to this situation. A comparison with the form illustrated on the preceding pages will show that the forms are identical except for the encumbrance columns on the left.

A system installed on the expenditure basis may be changed to the encumbrance basis whenever desired by merely changing to appropriate forms.

Since encumbrances are not recorded on the form shown above, the account balance is the "unexpended balance" rather than the "unencumbered balance."

In preparing the budget report shown on page 20, the last two columns are left blank except periodically when it is possible to obtain from departments or from a file of outstanding encumbrances the total obligations for each budget classification.

FIGURE 8 (Inside)

Appropriation Ledger Account with Unexpended and Unencumbered Balances

FIGURE 9 (Inside)

Appropriation Ledger Account With Only Unexpended Balance

Budget Ledger with Unexpended and Unencumbered Balances

Figure 8 on page 19 illustrates a budget ledger arrangement generally used where local conditions demand that each account reflect the *unexpended* balance (total allotments less approved vouchers) as well as the unencumbered balance.

Since all Burroughs accounting machines print totals from *single key depressions* this additional result may be obtained without materially reducing operator production. Referring to the illustration (figure 8), after entering the amount of the voucher, all balances are printed, in sequence and the work proven, with seven total key depressions.

Ordinarily unexpended balances are required only for report and trial balance purposes. The monthly report illustrated on page 20 shows how unexpended balances are



Budgetary Accounting in the Auditor's office, City of Boston

computed as a by-product of writing the month-end reports.

Expenditure Basis—Budget Ledgers

Local conditions may make it inadvisable to attempt the installation of a budgetary system on the encumbrance basis for some of the following reasons:

1. An established practice of individual buying by so many divisions and departments that control over encumbrances is impossible.
2. Opposition to changes by department heads or officials that may temporarily delay instituting a complete system. Departments which have been accustomed to spending their entire budgets without considering orders and other encumbrances outstanding are naturally cramped for funds when the system is changed to the encumbrance basis.
3. An established policy of paying obligations promptly with little advance contracting will in some cases reduce the volume of outstanding encumbrances to the point that satisfactory control may be exercised without posting encumbrances to the budget ledgers.

The budget account (see figure 9) is ideally adapted to this situation. A comparison with the form illustrated on the preceding pages will show that the forms are identical except for the encumbrance columns on the left.

A system installed on the expenditure basis may be changed to the encumbrance basis whenever desired by merely changing to appropriate forms.

Since encumbrances are not recorded on the form shown above, the account balance is the "unexpended balance" rather than the "unencumbered balance."

In preparing the budget report shown on page 20, the last two columns are left blank except periodically when it is possible to obtain from departments or from a file of outstanding encumbrances the total obligations for each budget classification.

FIGURE 8 (Inside)

Appropriation Ledger Account with Unexpended and Unencumbered Balances

FIGURE 9 (Inside)

Appropriation Ledger Account With Only Unexpended Balance

EXPENDITURE JOURNAL																		
OLD BALANCES				DEPT	CODE	DATE	NAME	REFERENCE	ENCUMBRANCES		PAYMENTS		BALANCES					ENTRY
Paid to Date	Credits	Unliquidated	Unencumbered						Placed	Liquidated	Discount	Net	Paid to Date	Credits	Unexpended	Unliquidated	Unencumbered	
3,400.00	7,500.00		4,100.00	HEALTH	7 01	APR 2 37	PAYROLL	VO 1948				750.00	4,150.00	7,500.00	3,350.00		750.00	
1,400.00	3,300.00	105.00	1,795.00	HEALTH	7 02	APR 2 37	CITY ELECTRIC CO	VO 1949				65.00	1,465.00	3,300.00	1,835.00	105.00	65.00	
1,750.00	5,000.00	285.00	2,965.00	HEALTH	7 03	APR 2 37	JONES BROTHERS	VO 1950		40.00	1.00	45.00	1,795.00	5,000.00	3,205.00	245.00	5.00	
475.00	1,000.00	125.00	400.00	HEALTH	7 04	APR 2 37	STATE INVESTMENT CO	VO 1951		25.00		25.00						
						APR 2 37	CARL SMITH	VO 1952				75.00	575.00	1,000.00	425.00	100.00	75.00	
						APR 2 37	TOTALS			65.00	1.00	960.00					895.00	
HEALTH DEPARTMENT DIVISION MATERIALS & SUPPLIES GROUP AND ITEM 703																		
DATE		ADDITIONS		DEDUCTIONS		REFERENCE		TOTAL CREDITS		Sheet No. 2								
		Entries	Total to Date	Entries	Total to Date													
JUN 1 37		2,000.00	2,000.00					2,000.00										
APR 1 37		3,000.00	3,000.00					3,000.00										
ENTRIES BALANCES																		
DATE	NAME	REFERENCE	ENCUMBRANCES		PAYMENTS		TOTALS TO DATE		Unexpended Balance	Outstanding Encumbrances	Unencumbered Balance							
			Placed	Liquidated	Discount	Net	Expenditure	Budget										
MAR 25 37	FORWARD						1,700.00	2,000.00	300.00	100.00	200.00							
MAR 28 37	JONES BROTHERS	PO 381	40.00				1,700.00	2,000.00	300.00	140.00	160.00							
MAR 28 37	BROWN SUPPLY CO	VO 1830				50.00	1,750.00	2,000.00	250.00	140.00	110.00							
APR 2 37	JONES BROTHERS	PO 398	125.00															
APR 2 37	BURROUGHS ADDING MACH CO	PO 413	20.00				1,750.00	5,000.00	3,250.00	285.00	2,965.00							
APR 2 37	JONES BROTHERS	VO 1950		40.00	1.00	45.00	1,795.00	5,000.00	3,205.00	245.00	2,960.00							

Figure 8—Budget Ledger with Unexpended and Unencumbered Balances

APPROPRIATION LEDGER JOURNAL												
	Planned			DESCRIPTION			EXPENDITURES		BUDGET		Unexpended Balance	Proof
	Expenditure Total	Budget	Unexpended Balance	Date	Reference	Voucher Number	Amount	Total To Date	Amount	Total To Date		
701	3,400.00	7,500.00	4,100.00	APR 2 37	PAYROLL	1948	750.00	4,190.00		7,500.00	3,350.00	750.00
702	1,400.00	3,300.00	1,900.00	APR 2 37	ELECTRIC CO	1949	65.00	1,465.00		3,300.00	1,835.00	65.00
703	1,750.00	5,000.00	3,250.00	APR 2 37	JONES BROS	1950	45.00	1,795.00		5,000.00	3,205.00	45.00
704	475.00	1,000.00	525.00	APR 2 37	STATE INV CO	1951	25.00					
				APR 2 37	CARL SMITH	1952	75.00	575.00		1,000.00	425.00	100.00
												960.00

APPROPRIATION LEDGER												
BUDGET ALLOTMENT												
Period	Amount	Total										
1st QUARTER	2,000.00	2,000.00										
2nd QUARTER	3,000.00	5,000.00										

DESCRIPTION				EXPENDITURES		BUDGET		UNEXPENDED BALANCE
Date	ITEMS	Voucher Number		Amount	Total to Date	Amount	Total to Date	
MAR 25 37	Brought Forward				1,700.00		2,000.00	300.00
MAR 28 37	BROWN SUP CO	1830		50.00	1,750.00		2,000.00	250.00
APR 1 37	ALLOTMENT				1,750.00	3,000.00	3,000.00	3,290.00
APR 2 37	JONES BROS	1950		45.00	1,795.00		3,000.00	3,305.00

Figure 9—Budget Ledger—Expenditure Basis

(Above)

The unexpended balance, in addition to the unencumbered balance and other cumulative totals, may be obtained by merely adding another column to the form. Usually, the unexpended balance is only needed at the end of each month, and is computed as reports are written

(Left)

The expenditure total is automatically subtracted from the budget total to obtain the unexpended balance. Where the expenditure basis is followed, unencumbered balances can only be obtained by subtracting the total of the encumbrance documents from the account balance

BUDGETARY CONTROL

PAGE 19

EXPENDITURE JOURNAL																	
OLD BALANCES				DEPT	CODE	DATE	NAME	REFERENCE	ENCUMBRANCES		PAYMENTS		BALANCES				ENTRY
Paid to Date	Credits	Unliquidated	Unencumbered						Placed	Liquidated	Discount	Net	Paid to Date	Credits	Unexpended	Unliquidated	
3,400.00	7,500.00		4,100.00	HEALTH	7 01	APR 2 37	PAYROLL	VO 1948				750.00	4,150.00	7,500.00	3,350.00		750.00
1,400.00	3,300.00		1,795.00	HEALTH	7 02	APR 2 37	CITY ELECTRIC CO	VO 1949				65.00	1,465.00	3,300.00	1,835.00	105.00	65.00
1,750.00	5,000.00	285.00	2,965.00	HEALTH	7 03	APR 2 37	JONES BROTHERS	VO 1950		40.00	1.00	45.00	1,795.00	5,000.00	3,205.00	245.00	5.00
475.00	1,000.00	125.00	400.00	HEALTH	7 04	APR 2 37	STATE INVESTMENT CO	VO 1951		25.00		25.00					
						APR 2 37	CARL SMITH	VO 1952				75.00	575.00	1,000.00	425.00	100.00	75.00
						APR 2 37	TOTALS			65.00	1.00	960.00				325.00	895.00

HEALTH DEPARTMENT DIVISION MATERIALS & SUPPLIES GROUP AND ITEM 703																
DATE		ADDITIONS		DEDUCTIONS		REFERENCE		TOTAL CREDITS		Sheet No. 2						
		Entries	Total to Date	Entries	Total to Date											
JUN 1 37		2,000.00	2,000.00					2,000.00								
APR 1 37		3,000.00	5,000.00					5,000.00								

ENTRIES										BALANCES						
DATE	NAME	REFERENCE	ENCUMBRANCES		PAYMENTS		TOTALS TO DATE		Unexpended Balance	Outstanding Encumbrances	Unencumbered Balance					
			Placed	Liquidated	Discount	Net	Expenditure	Budget								
MAR 25 37	FORWARD						1,700.00	2,000.00	300.00	100.00	200.00					
MAR 28 37	JONES BROTHERS	PO 321	40.00				1,700.00	2,000.00	300.00	140.00	160.00					
MAR 28 37	BROWN SUPPLY CO	VO 1830				50.00	1,750.00	2,000.00	250.00	140.00	110.00					
APR 2 37	JONES BROTHERS	PO 398	125.00													
APR 2 37	BURROUGHS ADDING MACH CO	PO 413	20.00				1,750.00	5,000.00	3,250.00	285.00	2,965.00					
APR 2 37	JONES BROTHERS	VO 1950		40.00	1.00	45.00	1,795.00	5,000.00	3,205.00	245.00	2,960.00					

Figure 8—Budget Ledger with Unexpended and Unencumbered Balances

APPROPRIATION LEDGER JOURNAL										
	Pickups			DESCRIPTION			EXPENDITURES		BUDGET	
	Expenditure Total	Budget	Unexpended Balance	Date	Reference	Voucher Number	Amount	Total To Date	Amount	Total To Date
701	3,400.00	7,500.00	4,100.00	APR 2 37	PAYROLL	1948	750.00	4,150.00	7,500.00	3,350.00
702	1,400.00	3,300.00	1,900.00	APR 2 37	ELECTRIC CO	1949	65.00	1,465.00	3,300.00	1,835.00
703	1,750.00	5,000.00	3,250.00	APR 2 37	JONES BROS	1950	45.00	1,795.00	5,000.00	3,205.00
704	475.00	1,000.00	525.00	APR 2 37	STATE INV CO	1951	25.00			
				APR 2 37	CARL SMITH	1952	75.00	575.00	1,000.00	425.00
										960.00

BUDGET ALLOTMENT			APPROPRIATION LEDGER			
Period	Amount	Total	Department	HEALTH	Account Number	703
1st Quarter	2,000.00	2,000.00	Division		Sheet Number	2
2nd Quarter	3,000.00	5,000.00	Budget Account	MATERIALS AND SUPPLIES		

DESCRIPTION			EXPENDITURES		BUDGET		UNEXPENDED BALANCE
Date	ITEMS	Voucher Number	Amount	Total to Date	Amount	Total to Date	
MAR 25 37	Brought Forward			1,700.00		2,000.00	300.00
MAR 28 37	BROWN SUP CO	1830	50.00	1,750.00		2,000.00	250.00
APR 1 37	ALLOTMENT			1,750.00	3,000.00	5,000.00	3,250.00
APR 2 37	JONES BROS	1950	45.00	1,795.00		5,000.00	3,205.00

Figure 9—Budget Ledger—Expenditure Basis

(Above)

The unexpended balance, in addition to the unencumbered balance and other cumulative totals, may be obtained by merely adding another column to the form. Usually, the unexpended balance is only needed at the end of each month, and is computed as reports are written

(Left)

The expenditure total is automatically subtracted from the budget total to obtain the unexpended balance. Where the expenditure basis is followed, unencumbered balances can only be obtained by subtracting the total of the encumbrance documents from the account balance

Monthly Operating Reports

One of the principal reasons for keeping accounting records is to provide information to be used by administrative officials. The report needed by the largest number of officials and perhaps the most valuable report from the standpoint of administration is the report of expenditures, encumbrances, and appropriation balances illustrated below.

This report sets forth the expenditures for the current month and for the year to date, the unexpended balance of each appropriation, the encumbrances outstanding and the net unencumbered balance of each appropriation.

As each report is prepared, the accounting machine automatically adds all columns to provide

REPORT OF EXPENDITURES, ENCUMBRANCES AND APPROPRIATION BALANCES

EXPENDITURES

Month of JAN

2,250.00

400.00

725.00

550.00

300.00

4,205.00

1,800.00

425.00

600.00

310.00

500.00

5,635.00

3,010.00

410.00

700.00

400.00

700.00

5,290.00

500.00

100.00

340.00

90.00

125.00

1,180.00

1,500.00

130.00

580.00

120.00

2,350.00

1,120.00

325.00

300.00

100.00

1,845.00

1,050.00

500.00

550.00

150.00

2,250.00

20,665.00

REPORT OF EXPENDITURES, ENCUMBRANCES AND APPROPRIATION BALANCES

EXPENDITURES

Month of FEB

2,300.00

390.00

600.00

610.00

310.00

4,310.00

2,150.00

300.00

520.00

310.00

500.00

3,785.00

2,125.00

480.00

420.00

400.00

600.00

4,025.00

1,180.00

1,500.00

130.00

580.00

120.00

2,350.00

1,120.00

325.00

300.00

100.00

1,845.00

1,050.00

500.00

550.00

150.00

2,250.00

20,665.00

REPORT OF EXPENDITURES, ENCUMBRANCES AND APPROPRIATION BALANCES

EXPENDITURES

Month of MAR

2,250.00

400.00

700.00

550.00

340.00

4,250.00

2,350.00

810.00

700.00

345.00

500.00

4,705.00

2,805.00

635.00

1,080.00

400.00

1,500.00

6,480.00

1,280.00

1,500.00

310.00

610.00

180.00

1,705.00

1,500.00

360.00

360.00

275.00

420.00

1,000.00

2,635.00

1,000.00

500.00

500.00

525.00

175.00

2,300.00

20,835.00

To Date

Department--Account

Appropriation Credits

Unexpended Balances

Outstanding Encumbrances

Unexpended Balances

Salaries

Salaries and Wages

Other Services

Materials and Supplies

Plant Charges

Capital Outlay

Total

Phonics

Salaries and Wages

Other Services

Materials and Supplies

Plant Charges

Capital Outlay

Total

General Administration

Salaries and Wages

Other Services

Materials and Supplies

Plant Charges

Capital Outlay

Total

Legal and Judicial

Salaries and Wages

Other Services

Materials and Supplies

Plant Charges

Capital Outlay

Total

Police Department

Salaries and Wages

Other Services

Materials and Supplies

Plant Charges

Capital Outlay

Total

Fire Department

Salaries and Wages

Other Services

Materials and Supplies

Plant Charges

Capital Outlay

Total

Health

Salaries and Wages

Other Services

Materials and Supplies

Plant Charges

Capital Outlay

Total

Grand Total

7,000.00

1,200.00

2,500.00

1,800.00

1,000.00

13,500.00

6,500.00

1,500.00

2,000.00

1,000.00

2,000.00

13,000.00

8,000.00

1,800.00

2,500.00

1,200.00

3,000.00

16,500.00

2,000.00

500.00

1,800.00

300.00

500.00

4,500.00

3,000.00

1,000.00

2,000.00

500.00

8,500.00

4,000.00

800.00

1,200.00

500.00

6,500.00

3,500.00

1,500.00

2,000.00

500.00

4,000.00

3,000.00

2,000.00

500.00

7,500.00

70,000.00

200.00

100.00

475.00

1,000.00

50.00

635.00

.00

165.00

180.00

30.00

500.00

.00

.00

135.00

275.00

300.00

300.00

.00

200.00

775.00

1,000.00

.00

1,800.00

300.00

500.00

335.00

500.00

200.00

225.00

300.00

165.00

250.00

.00

950.00

.00

.00

180.00

135.00

100.00

180.00

75.00

250.00

4,525.00

2,315.00

240.00

235.00

2,010.00

130.00

65.00

25.00

50.00

350.00

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Figure 10—Report of Expenditures, Encumbrances and Appropriation Balances

departmental summary totals which must balance with the ledger control accounts.

Reports of this kind may be filed in an analysis binder of the type illustrated below which permits offsetting each successive report from month to month which provides a visible comparative record of expenditures by budget classifications by months without copying the figures. Enough copies may be prepared at one writing for each interested official to receive a report for filing in such a binder in his own office.

The classifications shown on the report are some of those used by city governments. Budget reports

for educational institutions, school boards, hospitals, etc., and by general or other governmental branches such as county, state and federal, would be set up in a similar fashion for a different schedule of departments (see charts on pages 4 and 5) and possibly special budget classifications for each department.

To be of value, the budget reports must be made available to every interested official within a few days after the end of each month. It is essential, therefore, that the information contained on the report be shown at all times on the budget ledger accounts and arranged in such form that it may be quickly transferred to the report.



**Figure 11—Comparative Analysis Binder
(Budget and Statistical Reports)**

Expenditure Distribution Ledger

The extent to which expenditures should be subdivided is dependent upon the statistical detail needed to intelligently estimate budget requirements for future periods. A typical budget estimate was illustrated on page 8.

Periodic statistics by expenditure classifications (see report on page 24) offer an opportunity to study actual expenditures in relation to budget items, to compare expenditures of each kind from month to month and to investigate items that appear to be excessive. In order to obtain such reports promptly each month or as desired, up-to-date ledger accounts with current cumulative totals are essential.

Expense distribution accounts designed as shown on page 23 have proven exceedingly practical from an operating standpoint and furnish completeness of information and flexibility not possible by other methods.

Since each account shows the total for the current month and "to-date"—the same information that is needed for reports—there is no time lost preparing reports after the close of each month.

Again the report is prepared and the trial balance run at one operation.

Procedure

Accounts are posted directly from vouchers or from voucher distribution slips; if each voucher carries only one classification they might be arranged in ledger order before posting. As a general rule, however, vouchers are numbered by departments and may carry from one to several expenditure classifications each.

Accounts for each department are posted in whatever sequence proves the simplest, or even at random; the very nature of voucher routine tends to bring together payments of similar kind. For example: Payrolls chargeable to the salary and wage accounts usually come through about the same time. Traveling expense vouchers are usually handled in batches. Miscellaneous payments for materials, may affect more than one "material" classification account but generally will not affect any other part of the ledger.

For these reasons, direct posting from voucher to ledger is usually simplest and the most economical.

Budget Account Totals

If preferred, the expenditure distribution ledger may be posted before the appropriation ledger; total expenditures being automatically accumulated as the accounts are posted. Totals may be printed for each budget group and then posted to the budget accounts.

This plan simplifies posting the budget ledger and eliminates duplicate posting.

However, as was stated earlier in this manual, the budgetary accounting procedure should be set up primarily to give the results and information needed for intelligent management, rather than speed. All records should be complete as to information contained, simple for easy understanding, and up-to-date for current reference.

After these results have been accomplished, short cuts may be considered. The automatic operation of Burroughs Budgetary Accounting machines permits obtaining complete results without excessive cost.

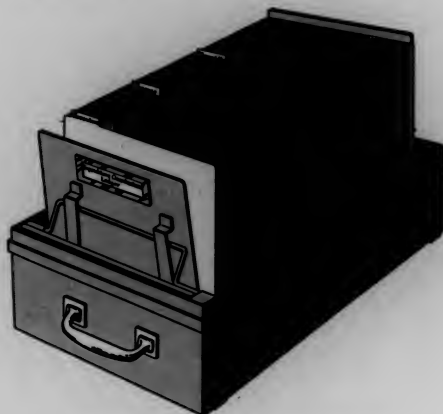


Figure 12—Tray for Expenditure Distribution Accounts

FIGURE 13 (Inside)

Distribution of Expenditures for Statistics by Detail Classifications

Expenditure Distribution Ledger

The extent to which expenditures should be subdivided is dependent upon the statistical detail needed to intelligently estimate budget requirements for future periods. A typical budget estimate was illustrated on page 8.

Periodic statistics by expenditure classifications (see report on page 24) offer an opportunity to study actual expenditures in relation to budget items, to compare expenditures of each kind from month to month and to investigate items that appear to be excessive. In order to obtain such reports promptly each month or as desired, up-to-date ledger accounts with current cumulative totals are essential.

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Accounts for each department are posted in whatever sequence proves the simplest, or even at random; the very nature of voucher routine tends to bring together payments of similar kind. For example: Payrolls chargeable to the salary and wage accounts usually come through about the same time. Traveling expense vouchers are usually handled in batches. Miscellaneous payments for materials, may affect more than one "material" classification account but generally will not affect any other part of the ledger.

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Budget Account Totals

If preferred, the expenditure distribution ledger may be posted before the appropriation ledger; total expenditures being automatically accumulated as the accounts are posted. Totals may be printed for each budget group and then posted to the budget accounts.

This plan simplifies posting the budget ledger and eliminates duplicate posting.

However, as was stated earlier in this manual, the budgetary accounting procedure should be set up primarily to give the results and information needed for intelligent management, rather than speed. All records should be complete as to information contained, simple for easy understanding, and up-to-date for current reference.

After these results have been accomplished, short cuts may be considered. The automatic operation of Burroughs Budgetary Accounting machines permits obtaining complete results without excessive cost.

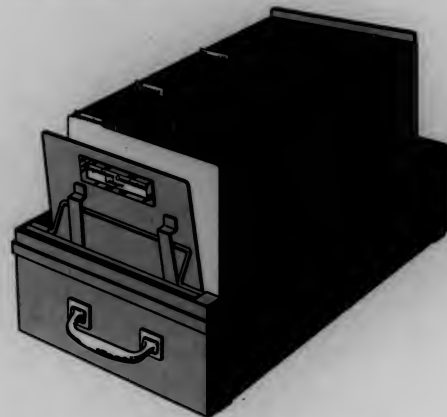


Figure 12—Tray for Expenditure Distribution Accounts

FIGURE 13 (Inside)

Distribution of Expenditures for Statistics by Detail Classifications

EXPENDITURE CLASSIFICATION JOURNAL											
Account Number	Pickups			DESCRIPTION		EXPENDITURES		Forward	To Date	Proof	
	Current Month Total	Previous Month Total to Date	To Date	Date	Reference	Amount	Current Month Total				
701 01		2,150.00	2,150.00	APR 2 37	1948	500.00	500.00	2,150.00	2,650.00	500.00	
701 02		1,250.00	1,250.00	APR 2 37	1948	250.00	250.00	1,250.00	1,500.00	250.00	
702 03		860.00	860.00	APR 2 37	1949	65.00	65.00	860.00	925.00	65.00	
703 06		815.00	815.00	APR 2 37	1950	20.00	20.00	815.00	835.00	20.00	
703 07		165.00	165.00	APR 2 37	1950	25.00	25.00	165.00	190.00	25.00	
704 01		250.00	250.00	APR 2 37	1952	75.00	75.00	250.00	325.00	75.00	
704 02		225.00	225.00	APR 2 37	1951	25.00	25.00	225.00	250.00	25.00	
										960.00	
EXPENDITURE CLASSIFICATION LEDGER											
Department HEALTH						Account Number 70306					
Division						Sheet Number 2					
Classification MATERIALS & SUPPLIES						Sub-Class PROVISIONS PERSONS					
DESCRIPTION		EXPENDITURES		FORWARD		TO DATE					
Date	Reference	Amount	Current Month Total								
MAR 25 37	Brought Forward		279.00	486.00		765.00					
MAR 28 37	1830	50.00	329.00	486.00		815.00					
APR 2 37	1950	20.00	20.00	815.00		835.00					

Figure 13—Expenditure Distribution Ledger
(Detail Expenditure Statistics)

Each item posted to a distribution ledger account increases the cumulative total for the current month and also for the year or biennium to date. Some accountants prefer to extend only the year to date total as each posting is made, obtaining the month total by subtracting the total at the end of the previous month from the final total. This method should be considered where the majority of accounts are quite active.

The expenditure distribution ledger, as a medium for assembling statistical results, offers unlimited flexibility, is economical in operation, and facilitates reference to individual transactions.

Any style of Burroughs posting or accounting machine will do the work efficiently. The account illustrated is posted on the same machine used for budget accounts. Where the volume is larger, other styles of Burroughs machines may be considered; from a simple desk model posting machine to a high-speed automatic analysis machine.

The number of account classifications may be expanded or contracted at will, but transactions affecting the same classification are always brought together on the same ledger sheet.

Each item on an account may be further described or coded, if desired, to permit special studies not anticipated in the normal statistical classification.

Statistical reports are of great importance to expose abnormal expenditures. The advantages of a detailed record of the items affecting each classification, to determine the exact reason for excessive costs, should not be underestimated.

EXPENDITURE CLASSIFICATION JOURNAL										
Account Number	Pickups			DESCRIPTION		EXPENDITURES		Forward	To Date	Proof
	Current Month Total	Previous Month Total to Date	To Date	Date	Reference	Amount	Current Month Total			
701 01		2,150.00	2,150.00	APR 2 37	1948	500.00	500.00	2,150.00	2,650.00	500.00
701 02		1,250.00	1,250.00	APR 2 37	1948	250.00	250.00	1,250.00	1,500.00	250.00
702 03		850.00	850.00	APR 2 37	1949	65.00	65.00	860.00	925.00	65.00
703 06		815.00	815.00	APR 2 37	1950	20.00	20.00	815.00	835.00	20.00
703 07		165.00	165.00	APR 2 37	1950	25.00	25.00	165.00	190.00	25.00
704 01		250.00	250.00	APR 2 37	1952	75.00	75.00	250.00	325.00	75.00
704 02		225.00	225.00	APR 2 37	1951	25.00	25.00	225.00	250.00	25.00
										960.00
EXPENDITURE CLASSIFICATION LEDGER										
Department HEALTH				Account Number 70306						
Division				Sheet Number 2						
Classification MATERIALS & SUPPLIES				Sub-Class PROVISIONS PERSONS						
DESCRIPTION		EXPENDITURES		FORWARD		TO DATE				
Date	Reference	Amount	Current Month Total							
MAR 25 37	Brought Forward		279.00	485.00		765.00				
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Figure 13—Expenditure Distribution Ledger
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Expenditure Statistics

The statistical report illustrated on this page shows expenditures detailed by classification for the current month and cumulative to date. The report for each successive month may be filed offset, as shown on page 21 in an analysis binder.

This process gives the equivalent of a comparative statistical report for all previous months without the necessity of recopying figures. If reports for the previous year are left in the binder, the spread may be so arranged that the previous to-date figures for the corresponding month are also visible.

This plan may be carried further to provide whatever detail may be required on certain activities. For example: The report for a cafeteria would show one item for "provisions." A subsidiary report could be prepared to classify "provisions" according to the kind of food purchased such as meat, vegetables, bread, etc.

There are three principal methods of accumulating statistical results.

1. Expenditure distribution ledger as shown on page 23 (posted currently from vouchers).

2. Unit tickets or cards—(sorted and recapped at the end of each period). This plan sometimes proves the most economical, particularly where a practical classification of uniform accounts has not been established. However, it has two drawbacks:

- The detail transactions are not currently available for reference, nor is the detail readily available for auditing and further analysis.
- Reports are somewhat delayed at the end of the month due to preliminary sorting and recapping required.
- Columnar analysis. (Items posted to spread

EXPENDITURE CLASSIFICATION REPORT			
HEALTH	Department or Division	CLASSIFICATION	TO DATE
Reported Month of JANUARY			
600.00	Salaries and Wages		
450.00	Subsistence		
1,050.00	Total		
Reported Month of FEBRUARY			
40.00	Transportation		
25.00	Light and Heat		
350.00	Subsistence		
30.00	Common		
25.00	Printing		
20.00	Advertising		
20.00	Light and Heat		
45.00	Subsistence		
500.00	Total		
Reported Month of MARCH			
50.00	Supplies and Materials		
40.00	Post		
42.00	Chewing		
63.00	Wearing Apparel		
243.00	Provisions		
55.00	Subsistence		
35.00	Post		
38.00	Chewing		
81.00	Wearing Apparel		
10.00	Post		
12.00	Other		
850.00	Total		
40.00	Fixed Charges		
11.00	Interest		
150.00	Total		
2,250.00	Grand Total		

Figure 14—Statistical Report

sheets.) This plan is practical in some instances but usually lacks flexibility in increasing or reducing the accounts used. A peak load is also created when the columns are added and balanced at the end of the month.

Statistical reports may always be readily obtained from unit accounts. The old records, due to their compactness, may always be kept available for further analysis if needed.

Revenue Ledger

The revenue estimates are used as a basis for determining the amount of the original budget; but current records and reports must show whether or not actual income is up to expectations.

Revenue accounts designed as illustrated below will furnish the same control over revenues and revenue estimates that the appropriation ledger supplies for budget balances.

each account will receive an anticipated revenue credit at the beginning of each month or quarter.

As revenue estimates are corrected throughout the fiscal period, adjustment increases or decreases are posted to the proper accounts.

Income Received

Income and cash receipts are usually reported

REVENUE ESTIMATE			
Period	Amount	Total	
1st QUARTER	3,000.00	3,000.00	
2nd QUARTER	2,000.00	5,000.00	

REVENUE LEDGER			
Fund GENERAL	Account Number 1-20-01		
Source LICENSES	Sheet Number 2		
RIGHTS AND PRIVILEGES			
DESCRIPTION	INCOME	ESTIMATE	UNREALIZED INCOME
Date	ITEMS	Number	Amount
Mar 15 37	Brought Forward		2,490.00
Mar 24 37	REPORT	183	350.00
Apr 1 37	ESTIMATE		2,800.00
			2,800.00

REVENUE ESTIMATE			
Period	Amount	Total	
1st QUARTER	120,000.00	120,000.00	
2nd QUARTER	100,000.00	220,000.00	

REVENUE LEDGER			
Fund GENERAL	Account Number 1-00		
Source CONTROL	Sheet Number 2		
RIGHTS AND PRIVILEGES			
DESCRIPTION	INCOME	ESTIMATE	UNREALIZED INCOME
Date	ITEMS	Number	Amount
Mar 24 37	Brought Forward		106,000.00
Mar 24 37	RECEIPTS		6,300.00
Apr 1 37	ESTIMATE		114,300.00
			100,000.00

Figure 15—Revenue Ledger

Revenue Estimates

Rather than set up the entire revenue estimate for the fiscal period at one time, it is preferable to prorate the expected revenue by months or quarters to obtain a current check on the collection of revenue estimated, for each period. If this plan is followed,

by the agency that collected the money; these reports are the basis for posting income to the revenue accounts. As each posting is made, the machine increases the total income to date, brings down the total revenue estimate to date, and reduces the unrealized income balance.

Revenue Reports

A report similar to the one illustrated below will permit officials to keep in constant touch with the revenue situation so that if original estimates are found in error, steps may be taken promptly to rectify the condition; either by providing additional sources of revenue, or by making adjustments in departmental appropriation allotments. Likewise, income collected from particular sources in excess

up to the end of the period covered by the report. The last two columns show the total estimated for the fiscal period and the balance uncollected.

These reports may be filed offset in an analysis binder in the same manner as the report of expenditures, encumbrances and appropriation balances (see illustration of binder on page 21), so that a comparative analysis of income by months, by

REPORT OF REVENUES, ESTIMATES AND UNREALIZED INCOME BALANCES						
INCOME RECEIVED		Fund—Class	Estimated Income To Date	Over or Under Estimate	Total Estimate	Balance To Collect
Month of	To Date					
MARCH						
		GENERAL FUND				
		<i>Taxes</i>				
32,400.00	96,555.00	Real Estate	100,000.00	3,445.00	390,000.00	293,445.00
2,150.00	8,300.00	Personal	10,000.00	1,700.00	30,000.00	21,700.00
		<i>Rights and Privileges</i>				
950.00	2,800.00	Licenses	3,000.00	200.00	10,000.00	7,200.00
405.00	1,525.00	Permits	1,500.00	25.00	6,500.00	4,975.00
285.00	1,020.00	Franchises	1,500.00	480.00	5,000.00	3,980.00
		Concessions				
		Rents				
		<i>Services and Sales</i>				
318.00	1,300.00	Fees Legal	1,200.00	100.00	5,000.00	3,700.00
175.00	750.00	Fees Inspection	800.00	50.00	3,000.00	2,250.00
		Sales of Service				
105.00	420.00	Interest and Premiums	500.00	80.00	1,500.00	1,080.00
184.00	615.00	Fines and Forfeitures	600.00	15.00	2,500.00	1,885.00
85.00	275.00	Local Courts	200.00	75.00	800.00	525.00
190.00	740.00	Deposits on Bonds	700.00	40.00	2,700.00	1,960.00
		Penalty on Taxes				
		<i>Grants and Donations</i>				
37,247.00	114,300.00	Totals	120,000.00	5,700.00	457,000.00	342,700.00

Figure 16—Report of Revenues, Estimates and Unrealized Income Balances

of original estimates would be available for emergency or special uses.

The report of revenues, estimates and unrealized income balances should reflect in detail the revenue from different sources for each fund—the same sources as those shown on the revenue estimate prepared at the beginning of a fiscal period. The difference between the estimated income to date and the income received to date, discloses those revenues that are over or under the estimate

funds, and by sources of revenue will be available to every interested official at the close of each month.

It is evident that in order to have such a report promptly each month, and to have the information from which it is obtained available for reference at all times, it is necessary to maintain a revenue ledger with an account for each classification involved. Prompt reports are dependent upon having all totals and balances up to date so that the report becomes a simple copying operation.

Municipal Accounting Terminology

As Defined By

The National Committee on Municipal Accounting

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ACCOUNTS PAYABLE. Liabilities on open account incurred in dealing with private persons, firms or corporations, and with other governmental bodies (but not including amounts due to other funds).

See also ENCUMBRANCES.

ACCOUNTS RECEIVABLE. Amounts owing on open account from private persons, firms or corporations, or from other governmental bodies (but not including amounts due from other funds).

ACCRUAL BASIS. When revenues are accounted for when earned or due, even though not collected, and expenditures are accounted for as soon as liabilities are incurred, whether paid or not, the system of accounting is said to be on the accrual basis.

ACTIVITY. A specific line of work carried on by a governmental unit in order to perform its functions, e. g., "food inspection" in connection with the function of "health conservation." There may also be internal activities such as "motor repairs," "store-rooms," etc.

See also CHARACTER, FUNCTION, and OBJECT.

ALLOTMENT. A portion of an appropriation or special fund set aside to cover expenditures and encumbrances for a certain period or purpose.

ALLOTMENT LEDGER. A subsidiary ledger containing an account with each allotment, showing the amount allotted, the expenditures, the encumbrances and the unencumbered balance of each allotment.

See also APPROPRIATION LEDGER.

APPORTIONMENT. See ALLOTMENT.

APPROPRIATION. An authorization by the legislative body to make expenditures and incur liabilities for specific purposes.

Note: An appropriation is usually limited in amount and as to the time when it may be expended.

APPROPRIATION EXPENDITURES. Expenditures made from an appropriation.

APPROPRIATION LEDGER. A subsidiary ledger containing an account with each appropriation, showing the amount appropriated, the expenditures, the encumbrances, and the unencumbered balance of each appropriation; or if allotments are made and a

separate ledger maintained therefor, the appropriations, the allotments, and unallotted balance of each appropriation.

See also ALLOTMENT LEDGER.

AUDITED CLAIMS PAYABLE. See ACCOUNTS PAYABLE.

AUDITED VOUCHER. A voucher which has been examined and approved for payment.

See also ACCOUNTS PAYABLE.

AVAILABLE CASH. The excess of cash of a given fund in the treasury over immediate demands and reserves against cash; that is, the actual cash in the treasury belonging to a given fund after deducting the amount of unpaid vouchers and claims approved for payment, outstanding warrants, and reserve accounts for definite purposes.

AVAILABLE SURPLUS. That portion of unappropriated surplus which has been realized and can be utilized immediately.

BALANCE SHEET. A statement showing the financial position of a fund or government at a specified date, ordinarily prepared from books kept by double entry. If a single balance sheet is prepared for several funds, it must be in columnar or sectional form so as to exhibit the accounts of each fund individually.

BOOKS OF ORIGINAL ENTRY. Those books in which the various transactions are formally recorded for the first time, such as the cash book, or check register.

Where machine bookkeeping is used, it may happen that one transaction is recorded simultaneously in several records, any one of which may be regarded as the book of original entry.

Memorandum books, check stubs, files of duplicate sales invoices, etc., whereon first or prior business notations may have already been made, are not books of first (original) entry in the accepted meaning of the term, unless they are also used as the mediums for direct posting to the ledgers.

BUDGET. An estimate of proposed expenditures for a given period or purpose and the means of financing them, as expressed in appropriation and revenue acts, ordinances, or resolutions.

BUDGET DOCUMENT. The instrument used by the budget-making authority to present a comprehensive financial program to the appropriating body. It includes a balanced statement of the revenues and expenditures of the government and other exhibits to report the financial condition of the several funds of the government: (1) at the end of the preceding completed fiscal period, (2) the estimated condition at the end of the fiscal period in progress, and (3) the estimated condition at the close of the ensuing fiscal period based on the financial proposals contained in the budget document.

BUDGETARY ACCOUNTS. Those accounts necessary to reflect budget operations and condition, such as estimated revenue, appropriations, and encumbrances, as distinct from the proprietary accounts (q.v.).

BUDGETARY CONTROL. The control or management of a governmental unit or enterprise in accordance with an approved budget with a view of keeping expenditures within the limitations of available appropriations or revenues.

CASH BASIS. When revenues are accounted for when received in cash, and expenditures are accounted for when paid, the system of accounting is said to be on the cash basis.

CHARACTER. As applied to an expenditure classification, this term refers to the relationship of expenditures to current, prior, and future fiscal periods, i. e., whether the expenditure is an expense, provision for the retirement of debt, or a capital outlay.

See also **ACTIVITY, FUNCTION, and OBJECT.**

CHECK. A bill of exchange drawn on a bank payable on demand; a written order on a bank to pay on demand a specified sum of money to a named person, to his order, or to bearer out of money on deposit to the credit of the maker.

A check differs from a warrant in that the latter is not necessarily payable on demand and may or may not be negotiable; and it differs from a voucher in that the latter may show the propriety of a payment or may show that a payment has been made, but is not an order to pay.

A voucher-check combines the distinguishing marks of a voucher and a check; it shows the propriety of a payment and is an order for the payment thereof.

CODIFICATION. Numbering, or otherwise designating, accounts, entries, invoices, vouchers, etc.,

in such a manner that the symbol used reveals certain essentials. For example, the symbolization (q.v.) of accounts; numbering monthly recurring journal entries so that the numbers indicate the month and the nature of the entry; numbering invoices or vouchers so that the number reveals the date of entry.

See also **SYMBOLIZATION.**

COMMITMENT. See **ENCUMBRANCES.**

CONTINGENT FUND. A fund set apart to provide for unforeseen expenditures, or for anticipated purposes of uncertain amount.

Note: The term should not be used to describe a reserve for contingencies. The latter is set aside out of a fund but does not constitute a separate fund.

CONTINUING APPROPRIATION. An appropriation which, once established, is automatically renewed without further legislative action, period after period, until altered or revoked.

CONTROLLING ACCOUNT. An account, usually kept in the General Ledger, which receives the aggregate of the debit and of the credit postings to a number of identical, similar or related accounts called subsidiary accounts, so that its balance equals the aggregate of the balances in these accounts.

Note: It serves as a check upon the mathematical accuracy of the detail ledger account postings and frees the control ledger of a mass of detail.

See also **GENERAL LEDGER and SUBSIDIARY ACCOUNTS.**

COST LEDGER. A subsidiary record wherein each project, job, production center, process, operation, product, or service is given a separate account whereto all items entering into its cost are posted in the required detail. Such accounts should be so arranged and kept that the results shown in them may be reconciled with and verified by a control account or accounts in the general books.

COST RECORDS. All ledgers, supporting records, schedules, reports, invoices, vouchers, and other records and documents reflecting the cost of a project, job, production center, process, operation, product, or service.

DEFERRED CHARGES. Expenditures which are not chargeable to the period in which they were made, but are set up as assets which are to be amortized, although they may have no market value or tangible existence. They may include such items as discount on bonds issued and other charges held in suspense until distribution is accomplished.

See also **PREPAID EXPENSES.**

DEFERRED INCOME. Income which has been received, but is applicable to a future period.

DIRECT EXPENSES. Those expenses which can be charged directly as a part of the cost of a product or service, or of a department or operating unit, as distinguished from overhead and other indirect costs which must be prorated among several products or services, or departments or operating units.

DISBURSEMENTS. Payments in cash regardless of the purpose.

DOUBLE ENTRY. A system of bookkeeping based on the fundamental theory that every business transaction has a two-fold aspect and, therefore, a complete record is obtained by entering equal amounts to the debit of one or more accounts and to the credit of another account or accounts.

EARNINGS. See **INCOME and REVENUE.**

ENCUMBRANCES. Obligations in the form of purchase orders or contracts which are to be met from an appropriation and for which a part of the appropriation is reserved. They cease to be encumbrances when paid or approved for payment.

ENDOWMENT FUND. A fund whose principal must be maintained inviolate, but whose income alone may be expended.

EQUIPMENT. Physical property of a more or less permanent nature, other than land, buildings, or improvements to either of these. Examples are machinery, tools, trucks, cars, ships, furniture and furnishings.

ESTIMATED REVENUE RECEIPTS. See **ESTIMATED REVENUE and REVENUE RECEIPTS.**

EXPENDIBLE FUND. A fund whose resources may be expended or extinguished in accordance with general or specific rules and regulations.

EXPENDITURES. Amounts paid or incurred for all purposes, including expenses, provision for retirement of debt, and capital outlays. Synonymous with **OUTLAY.**

Note: If the accounts are kept on the cash basis (q.v.) the term covers only actual disbursements. If the accounts are kept on the accrual basis (q.v.) the term also includes charges incurred but not paid.

EXPENSES. Expenditures for operation, maintenance, interest, and other current purposes from which no permanent or subsequently convertible value is derived.

FISCAL PERIOD. Any period at the end of which a municipality closes its books in order to determine its financial condition and the results of its operations.

Note: It is usually a year, though not necessarily a calendar year.

FIXED ASSETS. Assets of a permanent character having continuing value, such as land, buildings, machinery, furniture, and other equipment.

Note: The term "fixed assets" denotes probability or intent to continue use or possession. It does not indicate the immobility of an asset, which is the distinctive characteristic of "fixture" (q.v.). The term "capital assets" is sometimes used in the same sense, but "fixed assets" is preferred.

FIXED CHARGES. Those expenditures of the current period which are more or less inevitable and continuous.

FUNCTION. A group of services aimed at accomplishing a certain purpose or end, e. g., protection to persons and property.

See also **ACTIVITY, CHARACTER, and OBJECT.**

FUND. A sum of money or other resources (gross or net) set aside for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. A fund is a distinct financial or fiscal entity.

FUND ACCOUNTS. All accounts necessary to set forth the operations and condition of a fund.

FUND ASSETS. Assets belonging to a particular fund.

FUND BALANCE SHEET. A balance sheet of a given fund.

Note: The term has often been used in the past to describe a statement of fund resources, obligations, and balances, but a more correct term for such a statement would be "statement of budgetary resources, obligations, and unappropriated surplus."

FUND GROUP. A group of funds of a similar character which are brought together for administrative and reporting purposes, e. g., trust or sinking funds pooled for investment purposes.

FUND LIABILITIES. Liabilities of a fund which are to be met out of its resources.

FUND OBLIGATIONS. Obligations to be met out of the resources of a particular fund.

FUND SURPLUS. The net surplus of a fund, that is, the excess of its resources over its obligations and

reserves. The term should not be used without qualification.

GENERAL FUND. The fund that is unrestricted as to use and, therefore, available for any purpose.

GENERAL LEDGER. An accounting record containing accounts in which are recorded in detail or in summary all the transactions of the organization unit for which such accounts are kept.

Note: In double-entry (q.v.) bookkeeping the debits equal the credits and therefore the debit balances equal the credit balances.

IMPREST FUND. A sum of money to be used for minor disbursements, the amount of the fund being fixed.

Note: The fund is reimbursed by other funds of the enterprise for payments made from it, the vouchers then being surrendered. At all times, the cash on hand, plus vouchers not reimbursed, should equal the fixed amount of the fund.

See also PETTY CASH and REVOLVING FUND.

INCOME AND EXPENSE STATEMENT. A statement prepared for a municipal utility or other governmental enterprise of a business character setting forth the revenues earned, the expense incurred, and the excess or deficiency of revenue compared with expense, in the operation of the enterprise or incidental thereto.

JOB ACCOUNT. An account pertaining either to an operation which occurs regularly (a "standing job"), or to a specific piece of work (a "job order"), showing all charges for material and labor used, and expenses incurred, together with any allowances or other amounts which may be credited.

JOURNAL VOUCHER. A voucher provided for the recording of certain transactions or information in place of or supplementary to the journals or registers.

LAPSE. (*Verb*) As applied to appropriations, it denotes termination of an appropriation.

Note: Except for continuing appropriations (q.v.) an appropriation is made for a certain period. At the end of this period it is said to lapse and the unencumbered balance thereof must be reappropriated unless otherwise provided by law.

LUMP SUM APPROPRIATION. An appropriation made for a stated purpose, or for a named department, without specifying further the amounts that may be spent for particular objects of expenditure, e. g., an appropriation for the police department which does not specify the amounts to be spent for salaries and wages, travel, equipment, etc.

OBJECT. As used in an expenditure classification, it applies to the article purchased or the service obtained (as distinguished from the results obtained from expenditures), e. g., personal services, materials, supplies, and equipment.

See also ACTIVITY, CHARACTER, and FUNCTION.

OBLIGATIONS. Amounts which the governmental unit may be legally required to meet out of its resources. They include not only actual liabilities, but also unliquidated encumbrances.

OPERATING EXPENSES. As used in the accounts of municipal utilities and other governmental enterprises of a business character, the term means such expenses as are necessary to the maintenance of the enterprise, the rendering of services for which operated, the sale of merchandise, the production and disposition of commodities produced, and the collection of the revenues.

Sometimes used to describe expenses for general governmental purposes.

OPERATING INCOME. Income derived from the operation, or as a compensation for the use, of assets employed in municipal utilities or other governmental enterprises of a business character.

PETTY CASH. A sum of money, either in the form of currency or a special bank deposit, set aside for the purpose of making change or immediate payments of comparatively small amounts for which it is subsequently reimbursed from the cash of a fund.

See IMPREST FUND.

POSTING. The act of transferring to an account in a ledger the data, either detailed or summarized, contained in a book or document of original entry.

PREPAID EXPENSES. Expenses which have been entered in the accounts for benefits not yet received, such as prepaid rent, prepaid interest, and premiums on unexpired insurance.

See also DEFERRED CHARGES.

PROFIT AND LOSS STATEMENT. See INCOME AND EXPENSE STATEMENT.

PROJECT. A unit of construction work the cost of which is accounted for separately from other work. It is usually financed by budget appropriations, by special assessments, or by bond issues.

PROPRIETARY ACCOUNTS. Those accounts necessary to reflect the assets and liabilities, and which display the results of operations in terms of revenue, expenditure, surplus, or deficit.

PURCHASE ORDER. A document executed by a

municipality authorizing a vendor to deliver specified merchandise and to make a charge therefor.

RECEIPTS. What is actually received. It indicates cash (from all sources) unless otherwise described.

RECOVERABLE EXPENDITURES. Expenditures made for or on behalf of another governmental unit, fund, or department, or for a private individual, firm, or corporation, which will subsequently be recovered in cash or its equivalent.

REFUND. (*Noun*) An amount paid back or credit allowed on account of an over-collection.

—(*Verb*) To pay back or allow credit for an amount on account of an over-collection.

—(*Verb*) To provide for the payment of a loan through cash or credit secured by a new loan.

REGISTERED WARRANT. A warrant that is registered by the paying officer for future payment on account of present lack of funds and to be paid in the order of its registration. In some cases such warrants are registered when issued while in others they are registered when first presented to the paying officer by the holders.

See WARRANT.

REGISTERS. Records for the consecutive entry of a certain class of events, documents, or transactions, with a proper notation of all the required particulars.

Note: The form of register for accounting purposes varies from a one-column to a multicolumnar sheet of special design whereon the entries are distributed, summarized, and aggregated usually for convenient posting to the accounts.

RESERVE. An amount set aside out of the surplus of a fund to provide for estimated future expenditures or losses, for working capital, or for other specified purposes.

REVENUE. Additions to cash or other current assets which do not increase any liability or reserve, nor represent the recovery of an expenditure.

Note: If the accounts are kept on a cash basis, the term is synonymous with Revenue Receipts (q.v.). If the accounts are kept on an accrual basis, the term includes revenue, whether accrued or collected.

See also ACCRUAL BASIS and CASH BASIS.

REVOLVING FUND. A fund provided to carry out a cycle of operations. The amounts expended from the fund are restored thereto from the income

of the operation or by transfers from other funds, so that it is always intact, either in the form of cash, receivables, or inventory.

See also IMPREST FUND, PETTY CASH, and WORKING CAPITAL FUND.

STORES. Goods on hand in central store rooms subject to requisition.

SUBSIDIARY LEDGER. An accounting record containing accounts, called subsidiary accounts, in which are recorded in detail identical, similar, or related transactions. The accounts in the subsidiary ledger support in detail the debit and credit summaries recorded in a controlling account in the General Ledger relating to the same activity or object as the subsidiary accounts.

SYMBOLIZATION. The assignment of letters, numbers, or other marks or characters to the ordinary titles of the ledger accounts. Each letter, or number, should have the same meaning wherever used and should be selected with great care so that it will indicate immediately and with certainty the title of the account as well as its place in the classification. The use of proper symbols saves much time and space in making the book record and adds to its precision and accuracy.

TEST CHECK. A check in which, instead of auditing every item in an account, or in a record, for an entire period under review, certain items are selected and completely checked. If no errors be found, the examination is regarded as warranting the assumption that those items in the accounts which have not been checked are also correct.

TRANSFER VOUCHER. A voucher prepared to authorize transfers of cash or other resources between funds.

TRIAL BALANCE. A list of the balances of all ledger accounts, with the debit and credit balances shown in separate columns. If the totals of the debit and credit columns are equal, the ledger from which the figures are taken is said to be "in balance."

TRUST FUND. A fund consisting of resources received and held by the municipality as trustee to be expended or invested in accordance with the conditions of the trust.

See also PRIVATE TRUST FUND and PUBLIC TRUST FUND.

UNALLOTTED APPROPRIATION. Appropriation balances available for allotment.

UNAPPLIED CASH. Any cash not earmarked for

some special purpose and available for purposes of the fund of which it is a part.

UNAPPROPRIATED BUDGET SURPLUS. That portion of the current fiscal year's estimated revenues which has not been appropriated.

UNAPPROPRIATED SURPLUS. That portion of a given fund which is available for appropriation as indicated by the amount by which its resources exceed its obligations, reserves, and unencumbered appropriations.

UNENCUMBERED BALANCE. That portion of an appropriation or allotment not yet expended or encumbered.

UNEXPENDED BALANCE. That portion of an appropriation or allotment which has not been expended.

UNLIQUIDATED ENCUMBRANCES. Encumbrances which have not yet been paid or approved for payment.

See also **ENCUMBRANCES**.

VOUCHER. A document certifying a certain transaction, especially a written form attesting the propriety of the payment of money.

See also **CHECK** and **WARRANT**.

WARRANT. A draft upon the treasurer for the payment of money. It may be payable upon demand, in which case it usually circulates the same as a bank check; or, it may be payable only out of certain revenues when and if received, in which case

it is a short term obligation and a part of the floating debt. The term also denotes an order for the treasurer to accept or receive money.

See also **REGISTERED WARRANT**.

WARRANTS PAYABLE. The amount of warrants outstanding and unpaid.

WORK IN PROCESS. The cost of partially completed products manufactured or processed in the service departments, such as a partially completed printing job. The term is not synonymous with **WORK IN PROGRESS**.

WORK IN PROGRESS. The cost of construction work undertaken but not yet completed.

WORK ORDER. A form issued to one responsible for the performance of a particular job, indicating the nature and location of the job, specifications of the work to be performed, and a job number which is referred to in reporting the amount of labor, materials, and equipment used.

WORK PROGRAM. The allocation of the lump sum appropriation made to a department for current operating expenses to the activities or working units of the department so that each of these will get its proper share of the appropriation.

WORKING CAPITAL FUND. A fund established to finance activities, usually of a manufacturing or service nature, such as shops and garages, asphalt plants, and central purchases and stores departments. Sometimes called a revolving fund (q.v.).

Representative Styles of Burroughs Machines for Governmental Accounting

NOTE: Believing that readers who have reviewed the foregoing pages will also be interested in some of the modern devices by which budgetary records and other governmental applications are most efficiently maintained, we have devoted the remaining pages to brief descriptions of Burroughs machines most commonly used.

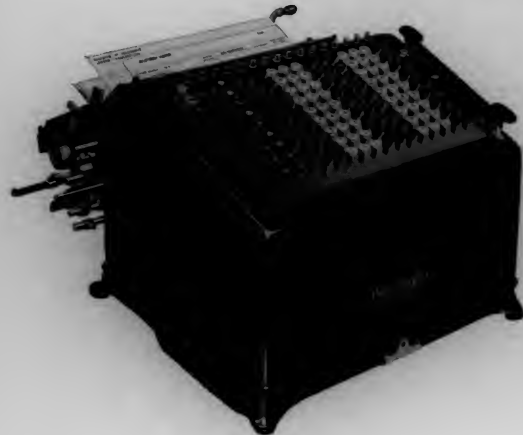
Burroughs offers a wealth of experience gained through years of activity on governmental and statistical accounting problems, as well as new machines, features and applications which speed and simplify the work. Burroughs maintains offices in all principal cities of the United States and Canada, and its representatives are qualified to discuss these new developments with you and to show you how governmental offices are using them to advantage. A telephone call or the enclosed postage-paid return card will get prompt response, without obligation.

Burroughs Typewriter Accounting Machine for Budget Control and Fund Accounting



This machine is designed for posting budget control and fund accounting records. It posts appropriations ledger, projects ledgers, cost records and general ledger; handles distribution, expenditures by objective classification, payrolls, stock records and similar accounting work. It posts any combination of related forms. It provides full-width journal as a by-product of posting, and automatically furnishes proof and control figures. There are styles for every requirement.

Burroughs High-Speed Posting Machine with Short-Cut Keyboard



This machine is especially designed for posting appropriation ledgers where typewritten description is not required. It posts, proves and journalizes in one operation, providing numerical code description for all transactions. The front-feed carriage affords the simplest, fastest method ever developed for inserting, aligning and removing forms. It provides a full-width proof-journal with automatic accumulation of proof and control totals. All carriage movements are controlled from the keyboard. This new Burroughs High-Speed Posting Machine is easily adapted to any type of appropriation ledger.

Burroughs Tax Accounting Machine

Combining a typewriter keyboard with an electric computing mechanism that prints its own results, this Burroughs writes complete tax records with full typewritten description. It multiplies valuation amounts by tax rates for tax amounts by direct, electrical multiplication — not repeated addition. It adds tax amounts for the total tax, and divides the total tax into two or more installments. It adds all columns for columnar totals. Each total is printed by a single key depression.

Assessment roll, tax roll, unit tax ledger, tax bill and cash book for current and delinquent tax receipts are prepared on the same machine.



Burroughs Tax Receipting and Cash Control Machine



The Burroughs Tax Receipting Machine prints on the receipt—in distinctive figures—the serial number, tax bill or property description number, date, amount of payment, and cashier identification. A transcript of each receipt is printed on a locked-in detail tape, and a total is accumulated against which cash must balance at the end of the day. This affords maximum protection to the clerk, the tax collector and the city.

This Burroughs can also be used as a fast, practical adding machine for all kinds of figure work.

New Burroughs Electric Duplex Calculator with Direct Subtraction

The key action on this Burroughs Calculator is the fastest ever developed on a key-operated calculating machine, and is uniform for all keys. The Duplex feature permits the accumulation of individual totals and a grand total of individual totals without re-adding. Amounts may be directly subtracted from the grand total at the touch of a key. It is the only key-operated calculating machine that does a complete job with one handling of the figures.

Among the figuring jobs for which the Burroughs Calculator is used in governmental offices are: calculating tax amounts on tax roll; calculating interest and penalties; checking invoices; extending payrolls; prorating administration expense; preparing comparative reports; compiling cost records.



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Burroughs Adding-Subtracting Machines with Short-Cut Keyboard



Burroughs Adding and Adding-Subtracting Machines are available in many styles and capacities, with various features for special kinds of work. The style illustrated has a capacity of eight digits, and is equipped with separate motor bars for adding and subtracting. Like all Burroughs Adding Machines, it has the Short-Cut keyboard, which permits the reduction of manual operations to the minimum. An amount ordinarily requiring a series of key depressions is written as a unit. Entire amounts and the motor bar are depressed together. Ciphers are printed automatically.

Burroughs Correct-Posture Chairs

Burroughs Correct-Posture Chairs are durably built of steel and equipped with removable cushions. Scientifically designed to enforce correct, healthful sitting posture which diminishes fatigue and promotes better work. Height of seat, height of back support, angle of back support and angle of back cushion are easily adjustable to the individual. Equipped with ball-bearing swivel and easy-rolling casters. Made in two low styles, with and without arm rests, and in a high style with circular foot rest. Choice of upholstery materials.



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